

JPRS-CAR-92-021
16 APRIL 1992



JPRS Report

China

China

JPRS-CAR-92-021

CONTENTS

16 April 1992

POLITICAL

- Understanding Nationality Issues in New Era Viewed [SHIJIAN 1 Oct] 1

ECONOMIC

NATIONAL AFFAIRS, POLICY

- Journal Reviews Economic Rectification [JINGJI GUANLI 5 Dec] 13
 Statistical Evaluation of Industrial Output Changed [JINGJI RIBAO 19 Feb] 22
 Wang Bingqian on Assessing State Assets [JINGJI RIBAO 19 Feb] 22
 Contracted Labor System Replacing Iron Rice Bowls [CHINA DAILY 15 Mar] 23

PROVINCIAL

- Jiangxi's Nanchang City Constructs Economic Zone [Nanchang Radio] 24

FINANCE, BANKING

- How To Control, Manage Foreign Reserves [JINGJI RIBAO 1 Feb] 24

INDUSTRY

- Closer Textile Relations With Brazil Explored [Brasilia CORREIO BRAZILIENSE 23 Feb] 26

SMALL-SCALE ENTERPRISES

- Township Enterprise Efficiency, Output Grows
 [Hong Kong LIAOWANG OVERSEAS EDITION 6 Jan] 26

LABOR

- Heilongjiang Approves Unemployment Insurance Plan [Harbin Radio] 29

AGRICULTURE

- Report Views Losses in 'Year of Disasters' [CHINA DAILY 25 Mar] 29

SOCIAL

- Law Enforcement Officers Must Be Law-Abiding [FAZHI YUEKAN 5 Feb] 31

MILITARY, PUBLIC SECURITY

- Military Cooperation With Middle East [London AL-HAYAH 16 Jan] 32

REGIONAL

NORTH REGION

- Li Ximing Speaks at CPC Standing Committee Meeting [BEIJING RIBAO 13 Mar] 37

TAIWAN

Regrouping of KMT's Nonmainstream Faction [HSIN HSIN WEN 29 Feb]	38
Editorial on Issue of Sovereignty [TZULI CHOUPAO 7 Feb]	39

HONG KONG, MACAO

Beijing Intensifies United Front Against Democrats [CHENG MING 1 Feb]	41
---	----

Understanding Nationality Issues in New Era Viewed

92CM0145A Hohhot SHIJIAN [PRACTICE] in Chinese
No 10, 1 Oct 91 pp 4-17

[Article by Chen Kuiyuan (7115 1145 0337): "Study the Marxist Nationality Theory and Correctly Understand the Nationality Issues in the New Period"; published by SHIJIAN, the official journal of the Inner Mongolian Regional CPC Committee]

[Text] The Marxist nationality theory is an important component of the Marxist theoretical system, and it is very closely related to the political and social realities in China. If we firmly believe in Marxism, we certainly will firmly believe in the Marxist nationality theory. The mission of this scientific theory is not only to sum up and interpret the past, but, more important, to correctly face the future and guide the people to consciously transform the objective world according to the objective laws, while consciously transforming their subjective world. A thorough and honest exploration of this theoretical sphere to constantly deepen and perfect the theory itself is of extremely great significance for properly implementing the party's policy toward nationalities and promote the great cause of common prosperity for all our brotherly nationalities.

I. On Nationalities and Nationality Theories

With 56 nationalities, our great motherland is a unitary multinational state with a long history. It is not only of great theoretical importance but also of profound historic significance to study the nationality issues and correctly understand and solve them. China's several thousand years of cultural history is created by the working people of all its nationalities. In the course of material production carried on by the working people of all nationalities and on the stage provided by them, outstanding figures among the ancestors of all nationalities have made great contributions. The great socialist modernization drive now in progress in China is a joint undertaking by the people of all 56 nationalities. In the history of our great Chinese nation, every past and future chapter is an embodiment of the wisdom and achievements of many nationalities and, therefore, appears all the more brilliant. In real life, every comrade in different fields, at different levels, and in different ways is associated with "nationalities," and no one can depart from the reality of the socialist country that is being built up by the people of all nationalities. What, then, is the meaning of nationality, after all? What major viewpoints are contained in the Marxist nationality theory? What is the crux of the nationality issues? And so on and so forth. Although many comrades have often faced these questions, they have failed to study them in depth and think them out in a systematic way. In the nationality theoretical research circles, more efforts have been devoted to studying Marxist-Leninist works, but not much has been done in expounding the nationality relations and the development and changes of various nationalities in the

past 40 years and more and the meaning and intent of the nationality issues in the new historical period, a manifestation that theory has fallen behind practice. Some comrades are indifferent toward the nationality issues, feeling that work on nationalities is the responsibility of the party and government leadership and the function of the nationality work departments and the nationality theory and nationality history research departments. Other comrades regard issues involving nationality theory as a forbidden zone and try to evade them as much as possible, because nationality issues are highly political, a sensitive area, which can easily subject them to criticism. I think that as Communist Party members, we should understand that nationality theory is an important component of the Marxist theoretical arsenal. Marxism is the theoretical basis guiding our thinking, and the Marxist nationality theory is certainly a part of this basis. Obviously it is not suitable to be indifferent and evasive toward our theoretical basis. Ours is a multinational country, and we live in a national autonomous region. Therefore, not only should we be interested in, but we have the duty to study in depth, the Marxist nationality theory. Marx said: Being on the brink of science is like being at the entrance to hell. This remark does not mean that to study a scientific theory one has to make sacrifices. Rather it states a serious truth, that is, in theoretical studies, one must have a selfless spirit to courageously explore the unknown. Some of our comrades often shrink back at the mention of nationality issues and do not want to get involved. Just like Engels said, hesitation here is based on ignorance. If we have grasped the true meaning of the Marxist nationality theory, we need not "walk hesitantly and speak haltingly," but can boldly explore and uphold and develop the theory in practice.

Nationality is a historical category. The ancestors of any nation went through the process of development from ape to man and from a rudimentary society to an advanced society. However, nations did not exist when mankind appeared on earth for the first time, but were only formed when human society developed to a certain stage. Stalin gave nation a definition. He said: "A nation is a historically evolved, stable community of language, territory, economic life, and psychological make-up manifested in a community of culture."¹ This definition is an important proposition on national theories, and to this day it is still widely quoted in China's nationality theoretical research circles. In real life, however, this definition cannot accurately reflect the actual conditions of every nation in the world, because nations are the products of complicated social movements, and countries and nations in the world are different in thousands of ways. Each nation itself is not immutable. Like any other historical phenomenon, it is controlled by the law of change. It has its own history and its own beginning and end. Therefore, any definition, even a Marxist definition, can only approximately describe a nation's basic traits and cannot cover everything. China is an ancient country, and the formation of the 56 nationalities spanned a long period in history. Exactly because of

this, when we began to identify our nationalities in the early days after the founding of the People's Republic, our opinions inevitably differed in many ways. Comrade Mao Zedong suggested at that time: Despite differences of one kind or another between the ethnic groups, politically do not make the distinction between nationalities and clans or tribes. At a meeting to discuss the establishment of the Guangxi Zhuang Autonomous Region, Comrade Zhou Enlai said: "In China we must not mechanically copy Stalin's definition of nations. Stalin's definition referred to nations in the era of rising capitalism. He failed to study this question in greater detail from every stage of historical development. Therefore, his definition cannot be used to explain the complicated problems in society in various stages prior to the capitalist era." There was an objective reason why Stalin thought that nations were formed in the period of rising capitalism. At that time, Stalin's stage of activities was mainly in Europe, and 19th century Europe was in the very historical period when many countries were trying hard to shake off the feudal rule and establish a capitalist system, and through the national-democratic movement, many countries successively became independent nation-states. Stalin studied in greater detail the situation in those countries and arrived at the conclusion that "in the pre-capitalist period, there was not, and could not be, any nation." Stalin's definition of nations has long been looked upon as a classic and is still of great theoretical significance today, but the definition can be developed and improved. Contemporary Marxists should continue to explore and arrive at a more scientific theoretical statement.

Scholars have different opinions on when nations were first formed. Based on their understanding of the Marxist nationality theory, Chinese scholars have put forward different views: One view is that nations were formed in the advanced stage of the age of barbarism in primitive society. A second view holds that nations were formed during the period from the advanced stage of the age of barbarism to the establishment of class society. A third view is that nations were formed in the period of rising capitalism. Moreover, nations are also distinguished into different types such as primitive nations, ancient nations, modern nations, socialist nations, etc. These distinctions are hard to explain with Stalin's definition. We are dialectical materialists. Whether in dealing with historical questions or practical ones, we should always insist on finding out the real truth about things, and this also applies to the question of nationalities. The conditions of the many nations on the five continents of the world are different in many ways. Each country and each nation has a unique history of its own formation. And the formation of a nation is a gradual historical process. Certainly it is not created instantly by a god, or suddenly in a short period by some leading figure. The history of each nation's formation inevitably goes through a considerably long period of productive labor, class struggle, contacts with other nations, wars, and so forth. Each nation's historical origin and evolution, the conditions and opportunity of its formation,

and so forth are all extremely complicated historical phenomena. Therefore, we should conduct specific studies on different nationalities in different countries. For example, between the few countries in the world with an ancient civilization—Egypt, India, Babylon, and China—the capitalist countries and nations of the West, and the nations in the colonial Asian, African, and Latin American countries, there are extremely great differences in the economic and social conditions contributing to their formation and on which they depend for survival, the international environment, and so forth. The same is true with the various nationalities in our own country. Among our 56 nationalities, some were still in the last phase of primitive society or still preserved strong remnants of the primitive commune system before the founding of the People's Republic of China, but others entered feudal society and became or basically became nations with distinct characteristics long ago at about the beginning of the Christian era. In Africa today, there are still tribes in some countries. The world's nations were not formed all in the same period, and each nation has its own characteristics. Therefore, we cannot understand a nation in a simplistic and formalistic way.

Nationality theories are a relatively new branch of study in the field of theoretical social science. Their development came later than sociology, politics, and so forth. Although there were articles and books about nationality activities, relations, development, and so forth written long ago, nationality theories were not formed as a science then. Before the birth of Marxism, theories in natural science were already quite advanced, but theories in social science were still suppressed by the prejudices of the exploiting classes. The really scientific social science was born following the birth of Marxism. So were the nationality theories. The Marxist nationality theory scientifically explains the history of the formation of nations and the law governing their development, penetratingly analyzes the class nature of the nationality issues in class society and the basic way to resolve these issues, and at the same time establishes the correct stand and viewpoint of the proletariat regarding nationalities and nationality issues, that is, the proletarian concept on nationalities. The Marxist nationality theory is a product of the integration of the proletarian class stand with thoroughgoing materialism. Blazing a new trail for the study of nationality issues, it is an original scientific theoretical system.

II. Questions of Stand and Method of Thinking in Studying the Nationality Theories

To study the nationality theories, we must have a correct stand and correct method. Just as Comrade Mao Zedong said, to cross a river, we need a bridge, for without a bridge, which is the method and the tool, we cannot successfully achieve the goal of crossing the river. Why are there so many different, sometimes even contradicting, viewpoints on some questions of nationality theories? On some major questions, why do those with the correct understanding often face opposition by those with the wrong understanding? Why is it that some

unrealistic or specious viewpoints decked out as theories are in wide circulation? Some of these questions are a matter of academic viewpoints, but the key issue is the stand and method in studying the nationality theories.

1. The nationality theories should be studied on the basis of the materialist conception of history.

The materialist conception of history is the theoretical cornerstone for our study of social science. The study of nationalities, as a part of social science studies, must be based on the materialist conception of history. From the historical materialist viewpoint, a nation is a historical category, and it is not something that has always existed, nor can it be created by a certain leader or hero according to his subjective wish. A nation is a component of human society as a whole, and national development and social progress are all historical processes. A nation is a product of the development of the mode of production and exchange. A fundamental difference between historical idealism and historical materialism in the study of nationalities is that the former regards nations as the products of the will of heroes, while the latter regards them as the products of the changing mode of production and exchange. In their book *The German Ideology*, Marx and Engels made this statement: "A nation's relationship with other nations as well as its own entire internal structure are determined by the level of its development in production and internal and external contacts."² With the continuing development of the productive forces, nations will make progress continuously, and gradually they will each reduce their particularities, increase their common grounds, mix together naturally and gradually, and ultimately disappear as nations. If we understand the birth, development, and disappearance of nations from a historical materialist viewpoint, we will recognize that it is a most natural process of historical progress. Even though the ultimate mixing together will take thousands of years or even a longer period of development, it certainly will be the mark of the greatest progress in world history. The existence and development of nations are historical products, historical phenomena in conformity with the laws. Exactly for this reason, the proletariat pays attention to but does not worship nationality issues, as "the proletariat is the least likely to idolize nationalities." With this kind of understanding, we will have a relatively objective stand toward nationalities and the law governing national development, and we will be able to understand and treat the nationality issues in real life in a practical and realistic manner; become more conscious of the need to do a good job in nationality work; fully understand the new relationship of equality and mutual help, unity and cooperation, and common prosperity among all nationalities; and thereby really understand the great call: "Workers of all countries, unite!"

2. Understand and treat nationality issues from a proletarian standpoint.

Nationality issues have different meanings in different societies. Stalin pointed out: The nationality question is

not unchangeable, and it can have different colors and shades, "depending on which class brings it up and when it is brought up."³ In class society, nationality issues and class issues are different but related. We say that we should understand nationality issues from a class standpoint, that is, to make a concrete study with the Marxist viewpoint of class analysis. In class society, the crux of nationality issues is the collusion of the ruling class in the dominating nationality with the ruling class in other nationalities to jointly oppress, exploit, and plunder the working people of all nationalities. No exploiting class oppresses only the working people of other nationalities but spares the working people of its own nationality. In old China, three big mountains [imperialism, feudalism, and bureaucrat-capitalism] weighed on our backs, and the Chinese working people were not only oppressed, exploited, and plundered by the imperialists, but also oppressed and enslaved by China's reactionary ruling classes. In class society, every nation is divided into different classes, and the different classes within a nation have fundamentally different interests. It is precisely in this sense that Marx mentioned: "The French nation is divided into two nations, namely, the propertied nation and the working nation."⁴ Lenin also pointed out: "There are two nations in every modern nation."⁵ A nation is divided into groups by classes. The bourgeoisie always uses the vague concept of national interests to paralyze the working people, trying to keep the working people in the same nation from seeing their own class interests. Lenin pointed out: "When any really serious, major political problem occurs, groups are always formed according to classes and not nationalities."⁶ This viewpoint is extremely important and remains an irrefutable truth to this day. The bourgeoisie and other reactionary ruling classes always attempt to pose as the representatives of all nationalities, instigate one nationality to see another as enemy and vice versa, and foment and take advantage of the antagonism among workers to protect their own interests. "On the national question, any bourgeoisie will always try to enable its own nationality to gain special privileges or benefits.... always give first place to the demands of its own nationality, and do so without conditions."⁷ In contrast to the bourgeoisie, "the proletariat opposes any special privilege and any special status."⁸ The working class always gives first place to class liberation. The working class holds that a nation that oppresses other nations cannot be free. It firmly stands for making a clean break with the bourgeoisie in its own nation and calls on the working class of the whole world to unite and establish a brotherly alliance, a revolutionary alliance. Therefore, its slogan "is not fraternity among people of all nations, but fraternity among workers of all nations." "The proletariat cannot support any practice which strengthens nationalism. On the contrary, it supports all things which help eliminate national differences and break down national barriers and all things which encourage increasingly close relations among all nations and which encourage the fusion of all nations. To adopt any other practice is to side with the reactionary nationalist philistines."⁹ All the above statements indicate that a

nation is divided into classes. In any nation, the exploiting classes and the working people have different, or fundamentally contradictory, interests. Therefore, on the nationality issues, the stand and viewpoint of the bourgeoisie and other exploiting classes are diametrically opposed to the stand and viewpoint of the laboring people and the working class. Comrade Mao Zedong pointed out: In the final analysis, national struggle is a matter of class struggle. This slogan was trampled underfoot by the "gang of four" and their followers, who took enemies for comrades and comrades for enemies among the people. The complete meaning of Comrade Mao Zedong's remark is: In the final analysis, national struggle is a matter of class struggle, as in the United States the black people are oppressed not by the white people as a whole, but by the reactionary ruling class among the white people. He did not say the white people are enemies of the black people, but just made a clear distinction between the people and the enemies where others could only see racial and national contradictions, to help the people understand that the struggle was in essence a struggle between the people and the class enemies and thus to mercilessly expose the true colors of the oppressing classes. On relations between nationalities and classes in socialist countries, Comrade Zhou Enlai also made a penetrating analysis. He pointed out: "In a socialist country like ours, the nationality issues should be handled by making a historical analysis and from a class viewpoint. In a society where there are still classes, the nationality question cannot be separated from the class question. However, the nationality question does not completely equate to the class question. Therefore, these two questions are both different and related."¹⁰ If we can correctly make this distinction, then on the nationality question we will be able to correctly recognize and handle the two types of contradictions which are different in nature.

3. Approach the nationality question from the viewpoint of development and progress.

In studying the nationality question, some comrades are used to looking backward and putting the emphasis on tracing back to the origin of a nation and on inheriting and carrying forward the national tradition, which is, of course, very important work in the study of nationality theories, but not the most important task. The socialist study of the nationality question should be made from the standpoint of impelling historical progress. Lenin pointed out: "Marx' socialism also places the national question and the state question on such a historical basis, which is to say that it is necessary not only to interpret the past but also to boldly predict the future and courageously engage in practical activities to bring the future about."¹¹ Any nation has its past, and the past was very different from one nation to another, but the development of every nation has gone through countless changes, divisions, and mergings. Because of natural disasters, contacts between nations, wars, development of new regions, and so forth, nations and populations have often migrated and moved in large numbers. In

Chinese history, many powerful nations, which had swept through the length and breadth of the country for several centuries, disappeared one after another, such as the Huns, the Eastern Huns, the Turks, the Siens, and so forth. This certainly does not mean that these nations were wiped out completely, but that their descendants have through historical changes merged into other nations. Some nations appeared in the Middle Ages or an even later period, but that does not mean that they came into the world suddenly out of the blue, but rather that those nations entered a phase of development and great power during that period and made a spectacular appearance on the historical stage of national rivalry. All nations are headed toward fusing into each other in the future. Therefore, we do not idolize the nationality issues, and we certainly do not advocate return to the ancients. A progressive nation does not refuse to assimilate advanced things from other nations and is not afraid to lose its own backward traditions. The traditions, which have been tested and proven to be really good, should be carried forward. Some traditions were in conformity with the laws and natural rules or experience under the productive and cultural conditions at a time in the past, but later on the conditions changed, and these traditions also lost their rationality and became backward things. Therefore, from the angle of social and historical development and national progress, we should be good at absorbing the advanced things from other nations and should not be afraid to lose our own backward traditions and habits, in order to flow with the tide of historical development and enable our own nation to continue making progress like other nations.

4. The nationality question is part of the overall question of social development.

According to the Marxist viewpoint, the nationality question is not some independent thing in itself, which basically never changes its direction and nature in the course of history, "nor can it be regarded as some independent and unchangeable question in itself; the nationality question is only a part of the overall question of reforming the existing system."¹² The nationality question and the nature and tasks of the national movement will change as the revolution develops through different periods. This is an important tenet of Marxism. There are progressive as well as reactionary national movements in the history of the world. National movements which follow the historical trend are progressive and revolutionary national movements, and those which go against the historical trend are reactionary national movements, depending on whether the direction of the national movements are in keeping with the tasks and nature of the revolutionary development in that period or against it. The overall social question differs in content and nature in different historical periods. In the period when capitalism was on the rise, the overall social question was the bourgeois democratic revolution, and the nationality question at that time was a part of the bourgeois democratic revolution; after the October Socialist Revolution, the nationality question became a

part of the socialist revolution. We maintain that the connotation of the nationality question should be based on and defined by the overall social and political problem. Exactly for this reason, during the period of the bourgeois democratic revolution, to oppose national oppression and class oppression, the policy suggested by the Marxists to resolve the nationality issue was national self-determination; after the success of the October Socialist Revolution and the overthrow of the oppressive and exploiting system, the Marxists then stressed unity of all nations. The same slogan can also have a different nature in different historical periods. For example, Lenin mentioned the slogan "defend the motherland" on many occasions. Under normal circumstances, "defend the motherland" refers to a country, which is invaded by a foreign enemy, standing up to fight back, and it is undoubtedly a correct revolutionary slogan; but under the slogan "defend the motherland," many member parties of the Second International supported the aggressive wars started by the bourgeoisie of their own countries, and "defend the motherland" became then a reactionary slogan. Therefore, whether this slogan is revolutionary or reactionary depends on what class the motherland is led by and what class policy the motherland pursues at the time. Lenin held that the national question cannot be solved once and for all as an isolated problem, and that it can only be solved once and for all with the solution of the overall social problem. Today, China has entered the period of socialist modernization, and our nationality issues can only be correctly interpreted and resolved if they are linked with the goals and tasks of our socialist modernization drive.

5. Understand and handle the nationality question in light of the overall situation.

The nationality question is not an isolated question. To understand and handle the nationality question, we must look at its general background and consider it in the light of the overall situation. To understand the part, we must first understand the whole.

To take the overall situation into consideration, we must first of all consider the unitary multinational socialist country. In our country, this is the fundamental criterion of right and wrong in the handling of the nationality issues. If we treat China's nationality issues from the standpoint of those advocating "Taiwan independence" or the standpoint of the Dalai clique, then everything will be turned upside down. Therefore, we must take the stand of the unitary multinational socialist country, the stand of national unity and the consolidation of the socialist system. Whatever is detrimental to the consolidation of the socialist system, the unity of the motherland, and the common prosperity of the people of all nationalities, and anything harmful to the country as a whole, for example, political disturbance, economic stagnation, and so forth, will inevitably also hurt the interests of all nationalities. Second, we must keep in mind the interests and demands of the working people of all nationalities. At no time should the connotation of the nationality problem and what needs to be done to solve

the nationality problem be dependent on the will and demand of one or two individuals, and what trend calls for attention in a given historical period should not be based on a dogma. In determining what to support and what to oppose, we should always base ourselves on the people's long-term interests and basic demands, and we should also take the practice of the masses of the people as the criterion to judge what is right and what is wrong. Talking about the nationality problem without considering the people's interests and demands, we are bound to sink into idealism. If we stand firmly with the people, our judgment on many issues will be made on a correct basis and a reliable criterion of right and wrong. Third, we should see the nationality issues from the general objective and general task of the socialist modernization drive and determine the position, goals, and tasks of the work on nationalities accordingly. Departing from this general objective and general task, our work on nationalities is bound to lose its bearings.

6. Integrating patriotism with internationalism.

On the nationality question, there are two kinds of slogans and policies, which can also be called two kinds of world outlook. One is proletarian internationalism, and the other is bourgeois nationalism. Lenin pointed out: "To be a social-democrat internationalist, one should not think only about one's own nation, but should put the interests of all nations and the universal freedom and equality for all nations above one's own nation."¹³ To the proletariat, patriotism and internationalism are in harmony. Ours is a socialist country led by the working class. Ardently loving socialist China, safeguarding the motherland's independence and unity, and promoting the motherland's prosperity are in themselves a powerful support to the international workers' movement. Only when our country is prosperous and developed will we have the power to make greater contributions to the international workers' movement. In China today, love for the country and love for socialism are inseparable. China of the present is the continuation and development of China of the past. If we love our country, we certainly love the great cradle of the Chinese nation, which has an outstanding cultural tradition of more than 2,000 years and has made tremendous contributions to the world civilization. If we take a national-nihilistic attitude and regard our country's history as a complete mess of "loess culture," it is tantamount to denouncing the work of our ancestors and the worst vilification of the great achievements made by the Chinese nation generation after generation. Our great motherland was founded jointly by the ancestors of all our nationalities. As their descendants, we have no reason whatsoever to feel inferior about the glorious achievements of our ancestors. On the contrary, there are tens of thousands of reasons for us to be proud of ourselves. Not only should we ardently love the past China, but we should love even more deeply the socialist China with the working people as masters. In the present era, if anyone admits that he deeply loves only yesterday's China and not socialist China, it means capitulation to capitalism. This is what

the elements preaching bourgeois liberalization and splittism are doing. Through a long historical period, the Chinese people of all nationalities resisted exploitation and oppression on the one hand and created a brilliant spiritual and material civilization on the other. Now the hundreds of millions of people have stood up and are engaged in an unprecedented great undertaking. China, with a long history and highly advanced civilization, is showing unprecedented prosperity. If we love only the China controlled by the ruling classes of the past dynasties but not the China with the working people as masters, we cannot possibly be real patriots. Ardent love for the country and ardent love for the people of all nationalities are synonymous. Betraying the country means betraying the people; betraying the people means betraying the country.

7. The Marxist nationality concept is an important manifestation of the Communist Party spirit.

Communist Party members are advanced elements of the working class, sons of the people of all nationalities, and faithful representatives of their interests. If a Communist Party member, considering himself a representative of one nationality and unwilling to serve the masses of people of all nationalities, seeks special benefits for some people and pursues special privileges for his own nationality over other nationalities, he has lost a Communist Party member's progressive character, departed from a Communist Party member's stand, and forsaken the world outlook a Communist Party member should have, and it is possible that he will fall captive to bourgeois nationalism. Nationalism is the bourgeoisie's last position. Under the socialist system, the bourgeoisie's special privileges in ownership and politics have all been overthrown. However, "on the nationality question, the remnants of capitalism are more active in people's consciousness than in any other place. They have greater vitality because it is possible for them to be well disguised in the garb of nationalism,"¹⁴ thereby hoodwinking and influencing many good and honest people and naive youngsters. If a Communist Party member fails to establish a correct nationality concept, it will be difficult for him to sensitively discern and forcefully resist bourgeois nationalism. It will be difficult to drive the bourgeoisie out of the ideological position. If a Communist Party member fails to establish a correct nationality concept, he not only will fail to discern and resist the disguise of bourgeois nationalism and may even admire the disguise, but may fall in the quagmire of bourgeois nationalism. Communist Party members are thoroughgoing materialists and selfless proletarian vanguard fighters, and they must consciously foster the Marxist nationality concept so that they can correctly uphold and develop the Marxist nationality concept and vigorously implement the party's policy toward nationalities. At present, the international class struggle is in an extremely acute and complicated period. In the struggle against peaceful evolution and splittism, Communist Party members are called on to stand firm like a rock in midstream, be models in promoting national unity, rally

the people of all nationalities closely around the party, and work together to win great victories for the socialist cause.

III. Nationality Issues in China in the Period of Socialist Modernization

China has now entered the new historical period of socialist modernization. In this historical period, the situation and tasks lying before the party and people and the basic line guiding the work of the party and state have all changed greatly. Are the nationality question and nationality work also changing correspondingly in this period? And in what way? These questions should be studied seriously by the nationality theoretical research circles. China's system of regional national autonomy and the party's policies toward nationalities have won great victories in the past 40 years. Politically, all nationalities have joined together to overthrow the oppression of the reactionary ruling classes and established a new relationship of equality, unity, and mutual help between nationalities. After 40 years of development, the relationship among nationalities in China has on the whole become a relationship among working people. All our fraternal nationalities have achieved all-around development in economic, cultural, and other fields, and some nationalities have achieved historical progress way ahead of the times. Because of the overall quality improvement of all the nationalities and the maturity of large numbers of minority cadres, the ability of all nationalities to jointly run the country and manage their own internal affairs as masters has been raised to an unprecedented level. In the ideological sphere, positive results have been achieved in the struggle against big-nation chauvinism (mainly Han chauvinism), which is mainly a manifestation of bourgeois nationalism, and against local nationalism. Of course, the elimination of the ideological influence of bourgeois nationalism is a long historical process, and there is no permanent solution. If major changes occur in the situation of international and domestic class struggle, or serious mistakes are made in the implementation of policies, nationalism, which has been checked, may again manifest itself in one way or another, and the complete elimination of its influence will remain a task on the ideological front for a long time to come. In the socialist period, nationality characteristics and differences still exist and will continue to exist for a long time. Therefore, the socialist historical period is a period for all nationalities to prosper, but not a period for them to disappear. During the socialist historical period, nationality issues, largely as contradictions among the people themselves, will exist for a long time to come. Under given conditions, contradictions between the enemy and ourselves, appearing as nationality issues, can also happen and, in fact, have happened repeatedly since the founding of the People's Republic.

According to the Marxist viewpoint, the nature of the nationality problem, as a part of the social and political problems as a whole, and the task of resolving it are not permanent and unchangeable. Stalin pointed out: The

key to solving the nationality problem lies in proceeding from concrete historical conditions and raising questions dialectically, which is the only correct way to raise questions. To understand China's present nationality issues, we, too, must proceed from concrete historical conditions and should not treat current nationality issues on the basis of some judgments made in the 1950's. We should not simply borrow the questions and slogans put forward by Marx, Engels, Lenin, and Stalin in launching the socialist revolution and in the period of the revolutionary struggle to overthrow the rule of the bourgeoisie, nor should we invariably follow the questions and tasks put forward during the period of China's new democratic revolution or the period of the socialist transformation. Rather, in the light of the development of the times and the changing realities, we should combine the Marxist nationality theory with the actual conditions of China's nationalities and seriously raise questions and understand the issues. Compared with the matter of social development as a whole, the nationality problem is secondary, and it is affected, determined, and conditioned by the former. Its nature and tasks will change as society develops as a whole. Within the nationality question itself, the principal contradiction will also change as the historical conditions change. Now, more than 40 years after the founding of the People's Republic, when the whole country has entered a new historical period with socialist modernization as the central task, if, in the sphere of nationalities, we still regard achieving equality and eliminating oppression, the tasks set for us just after liberation, as the major issues of today, then the nationality question will become separated from social development as a whole, and nationality work will fall behind the party's general task and become a drag to the party's work as a whole. This is not only contrary to the Marxist basic theory, but against the fundamental interests of the people of all nationalities.

In the new historical period, China's major nationality question is to eliminate the historical backwardness of the minority nationalities and areas inhabited by them in economic, technological, and cultural development and achieve common prosperity of all nationalities. This is the principal contradiction in the sphere of nationalities in the period of socialist construction and also the nationality question which is of overall importance. It is also a question of development and progress of the minority nationalities and the areas inhabited by them. Development and progress are the main theme of this era, which will make the difference between success and failure of China's socialist modernization. Depart from this principal contradiction and major question in discussing the nationality issues and we will lose our general bearings. Only by firmly grasping this question and holding on to it will we be able to always keep to the correct stand and direction in studying the nationality issues and doing nationality work.

In the new historical period, the exploiting class no longer exists as a whole class. Therefore, there is no

longer a basis for antagonism between nationalities about the economic base and the political system. However, because the peaceful evolution strategy pursued by international hostile forces toward China and the activities of the liberalist and splittist elements at home in collaboration with international reactionary forces in a vain attempt to undermine the unity of the motherland, sow dissension between nationalities, and overthrow the socialist system once and for all have never stopped, the struggle to safeguard the motherland's unity and against splittism has been going on without interruption. The struggle against splittism is an acute class struggle, a contradiction between the enemy and ourselves. This kind of contradiction and struggle are local occurrences in China, and they are instigated by a very small number of antisocialist and traitorous elements. However, if our ruling party fails to remain sober and abandons the four cardinal principles, the local contradictions and disturbances created by the splittist forces may spread quickly. At present, the bloody conflicts between different nationalities in some countries have developed to the point where the party and state are losing control, leading to nationwide turmoil. These living examples are warnings for us. When there is no disturbance, people often feel that all is peaceful and well and do not know that they must adhere to the four cardinal principles. When we criticize and deal blows at hostile elements, some kindhearted comrades often fail to understand. When great turmoil breaks out, it will be too late to put it down. Now the endless turmoil in some former socialist countries has already led to irreversible consequences and caused great harm to the people of various nationalities. Our national conditions, the history of our great country founded jointly by all our nationalities, and the fact that we have implemented a system of regional national autonomy, pursued the party's nationality policy, and established a new type of relationship between nationalities are all different from those countries. However, under certain conditions, the laws governing the class struggle in those countries can also have an impact in our country. We must not be blindly optimistic and must not turn a blind eye to or sit back and ignore the class struggle which is unavoidable and actually occurring frequently at present.

It is also a protracted struggle to combat bourgeois nationalism in the ideological sphere. We must especially watch out for statements and actions of those with an academic appearance but ulterior motives, who deliberately oppose Marxism, preach bourgeois nationalism, and mislead the masses of people and youngsters in an attempt to deepen the misunderstanding between nationalities and undermine national unity. In recent years, some bourgeois liberalist elements in China, under the cloak of theoretical and academic research and using legitimate academic organizations as their cover, have engaged in anticommunist and antisocialist activities. Some of them also deck themselves out as Communist Party members, making it even easier to deceive the public. This is a new characteristic of the class struggle in China today, and we must heighten our vigilance.

The characteristics and differences of each nationality in production, life style, customs and habits, religious belief, language and culture, and so forth will exist for a long time to come. If there is a lack of exchange and mutual understanding between the people of different nationalities, or if our ruling party and government have made mistakes in implementing policies, conflicts may occur between the people. These problems have their historical reasons, but are also caused by inadequate understanding and effort on our part. All these problems will be solved, but it takes time to eliminate the differences, and it will not do to be impatient and strive for quick results. Even traditions and things which seem to be backward, judging by modern science and technology and common knowledge, should be handled by raising the scientific and educational level of the people and guiding them to make changes on their own. Just as Lenin said, people cannot be driven to paradise with a club. As the guide for the people of all nationalities, the Communist Party should always take a forward-looking attitude on the question of nationalities. Although we recognize from a historical materialist viewpoint that the differences between various fraternal nationalities and the backwardness of some areas inhabited by minority nationalities cannot be changed overnight, we as the ruling party should not watch the slow development of any fraternal nationality with indifference, much less take a national egoistic attitude. We must selflessly and actively help accelerate the development of all nationalities so that all will make progress and achieve an advanced level of development together.

In the past, when talking about the national question during the socialist period, we often used a customary expression to eliminate the actual inequalities between nationalities left over by history. In the last few years, many articles and speeches have called for the gradual elimination of the historical gaps in economic and cultural development between national minority areas and advanced areas. Gaps not only exist between nationalities, but are even more manifest in the uneven development between regions. The call for narrowing the gaps and the earlier call for eliminating the actual inequalities have roughly the same meaning. However, the call for narrowing the gaps is more clear and definite, and "economic and cultural gaps" clearly indicate the content and nature of the problem. In contrast, the meaning of "actual inequalities" requires a great deal of explanation and can be misinterpreted as inequality in power. And to those who lack knowledge on the nationality theory, "actual inequalities" can mean superficial and nominal equalities but real inequalities. On the premise that China has a system of regional autonomy of minority nationalities, the elimination of the gaps between nationalities and between minority areas and advanced areas is the very most important duty of the autonomous areas. If the stress is put only on nationalities and not on areas, making no effort to reduce the gaps between the autonomous areas and the advanced areas and talking only about the economic and cultural gaps between minority nationalities and the Han nationality

or other relatively large minority nationalities in the same areas, then the autonomous regions will not be able to advance quickly toward prosperity, nor will the fraternal nationalities in each region be able to make any rapid progress. In fact, the present development gaps are mainly gaps between the areas of regional autonomy of minority nationalities and the advanced areas, and not between the nationalities within each autonomous area. Such gaps should not be called in general gaps between minority nationalities and the Han nationality. Take, for example, the cultural gap among China's 56 nationalities. A considerable number of the minority nationalities are more advanced culturally than the Han nationality, a considerable number are about equal to the Han nationality in development, and only the remaining portion is behind the Han nationality.

Marx and Engels made no reference to the actual inequalities between nationalities under socialism, but Stalin did. Stalin remarked mainly that after the victory of the revolution, equality in political power was achieved in law, but some minority nationalities, because of their economic and cultural backwardness and because of the low quality of their cadres, were unable for a certain period to use the political power given them by the state. In other words, these nationalities were still unable to act independently as masters. He also said that this backwardness could not be eliminated in one or two years. Lenin also mentioned the question of actual inequalities. He said: The proletariat, which has won political power, should not declare national equality merely in words hypocritically like the bourgeoisie, and "it should not only help the working people of the formerly oppressed nationalities gain actual equality, but also help them develop in language and literature in order to eliminate all traces of distrust and misunderstanding left over from the capitalist era."¹ Lenin and Stalin regarded the elimination of the actual inequalities or the achievement of actual equality between nationalities as a task for a specific period in the early stage of socialism. On the question of equality, Engels had a brilliant exposition in "Anti-Dühring." He said: "The concept of equality, whether it appears in bourgeois form or in proletarian form, is itself a product of history." "The demands of the proletariat for equality are really demands for the elimination of classes, and any demand for equality beyond this limit is bound to be absurd."² China has now eliminated the exploiting classes, and socialist public ownership is the mainstay of the national economy. Therefore, all nationalities in the country are equal both in essence and in form. How, then, should the unevenness in development left over by history between nationalities and regions be expressed more accurately and more easily for the people of all nationalities to understand correctly? Should we continue to use the expression "actual inequalities" or use the more accurate expression "gaps in development"? I think the answer is very obvious. Whatever way to put it is in keeping with the realities, in keeping with and not contrary to the actual conditions of China's nationalities, and whatever is more conducive to guiding the masses of the people to

clearly understand China's national relations and our tasks in nationality work, accurately understanding their nature, and not getting perplexed, is the way it should be put. On this question, it is now entirely possible to do some serious and deep thinking and reach a new theoretical epitome.

Another often-mentioned issue is to oppose bourgeois nationalism, mainly the question of Han chauvinism and local nationalism. The influence of bourgeois nationalist ideology still exists today, and to eradicate its influence takes a very long developing process. So long as the capitalist system still exists in the world and so long as nationalities remain, there will be soil for the influence of nationalist ideas. Therefore, to combat the two manifestations of nationalism remains one of our tasks, but it is mainly an ideological issue among the people themselves, a matter of ideological education. It has no overall importance extensively and intensively and is not the principal contradiction on the nationality question in China in the present historical period.

The Seventh Plenary Session of the 13th CPC Central Committee summed up the basic theories and practices of China's socialist modernization. It called for efforts "to establish and develop a socialist relationship of equality and mutual help, unity and cooperation, and common prosperity among nationalities; uphold and improve the system of regional national autonomy, and oppose national discrimination, oppression, and division." This is the CPC Central Committee's scientific summation of the socialist relationship between nationalities and nationality work in China. It is a realistic, clear, and specific conclusion on how to solve China's nationality problems and more effectively carry out nationality work in the new period. It is an extremely important programmatic instruction for us in studying the nationality theories and directing nationality work.

IV. On the Right of Nations to Self-Determination and Regional National Autonomy

The "right of nations to self-determination" has no direct relation to China's political practice, but it occupies an important position in the system of nationality theories. When discussing China's nationality policies, some people often improperly bring up this question. To study the nationality theories, it is imperative to have a correct and complete understanding of the principle of the right of nations to self-determination. It is even more important for us to have a deep understanding of the theory of regional national autonomy, which is a political system and basic policy of China. In Lenin's works, the right of nations to self-determination has a definite meaning. It means the right of oppressed nations to political separation from other national bodies, the formation of an independent national state. The principle of the right of nations to self-determination is an important viewpoint in Lenin's national theory. But it must be pointed out that it is not Lenin's key position, much less his only viewpoint, on the national question. The concept of the right of self-determination embodies the

proletarian revolutionary teacher's thoroughgoing proletarian world outlook and expresses the proletarian stand for complete national liberation and class emancipation. To completely understand the concept of the right of nations to self-determination, we must see it not only as a Marxist theoretical viewpoint but also as a proletarian political strategy against the bourgeoisie. Lenin stood for, but did not worship, the right of nations to self-determination. He said: Self-determination of nations "is not something absolute, but a small part of the general democratic (at present, general socialist) world movement."¹ He also said: The relation of this small part to the overall situation of the revolution is that of a particle to the whole, and when the particle contradicts the whole, it must be rejected for the sake of the whole. The right of self-determination is a policy and tactics under certain historical conditions. First, during the period of bourgeois democratic revolution, in order to shake off feudal oppression and establish independent national states in keeping with the historical trend of capitalist development, the right of nations to self-determination was advocated. As far as Europe was concerned, this task was accomplished before the October Socialist Revolution of the Soviet Union. Therefore, Lenin pointed out, "this question no longer exists in Europe today." Second, the period of imperialist domination of the world was the historical period of the struggle of the colonial people for national independence and national liberation, and in this period the call for national self-determination contributed to overthrowing imperialist oppression and achieving independence and freedom for the colonial peoples. Third, Lenin's advocacy of the right of nations to self-determination was directed against pre-October Revolution tsarist Russia. At that time, tsarist Russia pursued the reactionary gang's Russian chauvinism. Russians who made up about 43 percent of the entire population ruled over more than 100 nationalities, including Poles and Finns who made up about 37 percent of the population, and tsarist Russia enforced a reactionary reign of terror over the other nationalities. Under the circumstances, the call for national self-determination was conducive to mobilizing the people of all nationalities to unite and fight together to overthrow the common enemy. The principle of the right to self-determination put forward by Lenin was in keeping with the principle of class emancipation, that is, the proletariat of the oppressing nation should support the struggle of the working people of the oppressed nations for self-determination, which is one of the conditions for the proletariat to achieve its own emancipation. And without overthrowing imperialism, it is also impossible for the proletariat of the oppressed nations to achieve its own class emancipation. Therefore the principle of self-determination is in essence synonymous with the principle of class emancipation. The advocacy of the right of self-determination is a Marxist theoretical principle for the handling of nationality issues in a given historical period in countries with an oppressive system.

against minority nationalities, but it is not the universal Marxist principle for the handling of all nationality problems.

Lenin supported national self-determination, but did not advocate unconditional national separation. He pointed out that the right to secede is a political right the oppressed nations should have. At the same time, he also pointed out that advocating this right does not equate to calling for separation. He said figuratively: Our approval of the right to divorce does not mean that we will vote for divorces. He pointed out seriously: "The question of the right and freedom of nations to secede must not be confused with the question of whether it is proper for a certain nation to secede at a certain time."¹¹ "To give a yes-or-no answer to every question of national separation... is a policy theoretically absurd and metaphysical and practically subordinating the proletariat to the bourgeoisie."¹² Lenin pointed out: "So long as each different nation forms a unified state, the Marxists certainly will not advocate any principle of federalism, nor any power-sharing system. Big centralized states represent a giant historical step from the scattered state of the Middle Ages toward the socialist unification of the whole world in the future."¹³ The approval of self-determination by the proletariat and the proletarian teacher is conditional. What are the conditions? Lenin pointed out clearly: "A genuine socialist party should not corrupt the proletarian awareness, conceal class struggle, tempt the working class with bourgeois democratic idle talk, and undermine the unity of the proletarian political struggle in the present era. Only under these conditions will we recognize national self-determination. This is the crux of the entire question."¹⁴ Lenin also said: "The aim of socialism is not only to abolish the present division of mankind into small states, and all national isolation, not only to bring the nations closer to each other, but also to merge them."¹⁵ Only by understanding these remarks completely and thoroughly will we be able to correctly understand the meaning of the right of nations to self-determination and discern the nature and purpose of the demands made under various conditions for national self-determination. Lenin advanced the idea of national self-determination, but the October Revolution of the Soviet Union did not result in national self-determination. Instead, it pursued a policy and system for unity. At the 10th CPSU Congress, Stalin criticized Chekern, one of the leading members of the CPSU Central Committee at that time, for being too obsessed by the slogan of national self-determination. Stalin pointed out: Since the revolution has provided the people of all our nationalities with the conditions for unity, why should we not be united? He also reminded people to pay attention to the fact that the slogan of national self-determination was abandoned about two years after the October Revolution. All this shows that the Marxist-Leninist theory and slogan on national self-determination were put forward under specific historical conditions. They unwaveringly tied national self-determination to the cause of the liberation of the

proletariat and judged the nature of the calls for self-determination from the interests and requirements of the cause of proletarian liberation. At present, in order to achieve their goal in opposing our socialist system, international reactionary forces are supporting and instigating the spiritual forces to seek self-determination and destroy China. Bourgeois liberal elements are also advocating self-determination and opposing regional national autonomy. During the period of turmoil, some people in this region also cooked up reactionary opinions against regional national autonomy. They used Lenin's theory of the right of self-determination as a cover, but what they advocated was entirely contrary in class nature to Lenin's stand on the national question. In studying the Marxist national theory, we should adhere to the Marxist stand, unmask these people whenever they appear, and defend and develop Lenin's complete theoretical system on nationalities.

Regional national autonomy is the Marxist basic position and general principle for solving the nationality problems in multinational countries. It is a Marxist basic theory and universal principle put forward to counter the national and cultural autonomy advocated by bourgeois nationalists. Lenin said: As to autonomy, Marxists "regard it as a general principle for democratic countries with complicated ethnic diversities and extremely varied geographic conditions." China has specific historical conditions for the adoption of a system of regional national autonomy. Comrade Zhou Enlai said: "Historical development gave us the conditions for national cooperation." Through a long period of historical development, China's various nationalities have found themselves largely mixed together with some minority nationalities still living in compact communities in some areas, and the different nationalities have a long history of learning from each other, mutual cooperation, and living together in harmony. This has provided us with the specific historical conditions for regional national autonomy. "The development of the revolutionary movements has also given us the foundation for cooperation." Since the Taiping Heavenly Kingdom, in the anti-imperialist and anti-feudal movements, the advanced elements of all nationalities have stood in the forefront of the revolutionary movements and led the people in the common struggle for national independence and liberation, which has laid a solid foundation for the unity of all of China's nationalities. The system of regional national autonomy is clearly explained in China's Regional National Autonomy Law. Regional national autonomy is a basic policy of the Chinese Communist Party to apply Marxism-Leninism in solving China's nationality problems and an important political system of the country. Under the system, organs of self-government are established in areas where minority nationalities live in compact communities to exercise regional autonomy under the unified leadership of the state. Practice has proven that regional national autonomy is suited to China's conditions and in the basic interests of the people of all nationalities. This basic political system and the success of a series of our

party's nationality policies indicate that China has found a way to solve the nationality problems with Chinese characteristics.

V. The Current Struggle Against Peaceful Evolution and Division

At present, the international situation is one of great turbulence, and the struggle between the capitalist system and the socialist system has never before been so acute, intense, and complicated. The newborn system of socialism, which has been growing vigorously since the end of World War II, has suffered a temporary setback. The vigorous growth of socialism after World War II shook the entire world, encouraged many colonies and semi-colonies to fight for independence, and put imperialism on tenuous ground. Then the situation began to change for various internal and external reasons. Recently, the socialist movement has been at low ebb, as indicated by the evolution in Eastern Europe and the turbulence in the Soviet Union. The evolution and retrogression in some socialist countries have encouraged the international reactionary forces, who think that the time has come to step up their efforts to subvert and infiltrate socialism. As attempts to bring about peaceful evolution have achieved varying degrees of success in some countries, similar activities aimed at China are bound to become more rampant. Imperialist peaceful evolution can be likened to a total war, and it is certainly not limited to a few areas. International hostile forces are now trying to politically isolate and economically sanction China in a vain attempt to put us in a difficult position. They support a handful of scum of our nation, who have betrayed their country and fled abroad, to form traitorous groups, and democratic fronts and other organizations have been knocked together in the United States and France. In coordination, they also encourage the national splittist groups abroad to carry out national splittist activities. They support the so-called "Ai Sha Group," "Mongolia," and the Dalai clique, attempting to divide the great People's Republic of China. This is against the historical trend and against the wishes of the people of all Chinese nationalities. In the world today, the peaceful evolution the bourgeoisie attempts to bring on us is a combination of subversive, infiltrating, and splittist activities. Under the instigation or direct command of imperialism, the liberal and splittist elements are helping each other in their evil designs. They are opposed to socialism, the leadership of the Communist Party, and the regional national autonomy system. Communist Party members and people of all nationalities must heighten their vigilance a hundredfold, see clearly the situation of the international and domestic class struggles, and keep to their own firm stand in the struggle. It is necessary to be good at distinguishing between the two different types of contradictions, firmly and correctly uphold and implement the party's nationality theory and policy, properly handle the nationality issues among the people themselves, and promote the common prosperity of all nationalities. The promotion of common prosperity for all nationalities should be

taken as the basic stand in solving the nationality issues and implementing the nationality policy. At the same time, in order to resist peaceful evolution, it is urgently necessary to publicly expose, completely isolate, and resolutely strike at the activities of the splittists. At present, the hostile forces, encouraged by the international climate and supported by international reactionary forces, are constantly plotting conspiratorial activities. Some are collaborating at home and abroad, and some are using their legitimate positions to conceal their illegal activities, attempting to follow the example of the anticommunist forces in some countries to form opposition parties and ultimately seize power from the Communist Party. Under the circumstances, the Communist Party members of all our nationalities must not give up in the struggle and must not forsake the correct stand. This struggle between liberalization and anti-liberalization and between splittism and anti-splittism concerns the destiny of the party and the people and the life and death of the country. We must not be so foolish and naive and must not get so entangled in minor issues among the people themselves as to give an opportunity to the hostile elements to sow discord among the people and achieve their treacherous purposes. Our country is not isolated in the world. We are surrounded by friendly neighbors, who get along peacefully with us, and also hostile forces looking covetously at us. In our society, there are still unreformed hostile elements, and new hostile elements are created by bourgeois ideological influence. These people are certainly not concerned about the problem of corruption, which is mentioned or used by them, or other problems which have caused dissatisfaction among the people. Their basic purpose is to overthrow the leadership of the Communist Party and impose dictatorship on the masses of the working people. While adhering to the policy of reform and opening to the outside world and building a socialist material civilization, we must at the same time take a firm stand against peaceful evolution and adopt effective measures to counter peaceful evolution attempted by the hostile forces, adhere to the four cardinal principles, and persist in building a socialist spiritual civilization. With the reform and opening to the outside world, China's contacts with foreign countries are constantly increasing, which undoubtedly has a very positive impact on our efforts to develop relations with the outside world and achieve the strategic goal of raising our living standard to a fairly comfortable level by the end of the century. However, with our opening to the outside world, it is unavoidable that anticommunist and antisocialist elements of all descriptions will find their way into China with the incoming crowds to carry out subversive, infiltrating, evolutionary, and other conspiratorial activities. In this regard, we must heighten our vigilance a hundredfold.

Footnotes

1. *Selected Works of Stalin*, Vol. I, p. 64.
2. *Selected Works of Marx and Engels*, Vol. I, p. 25.

3. *Collected Works of Stalin*, Vol 1, p 27.
4. *Selected Works of Marx and Engels*, Vol 1, p 299.
5. *Collected Works of Lenin*, Vol 20, p 13.
6. *Collected Works of Lenin*, Vol 20, p 19.
7. *Selected Works of Lenin*, Vol 2, p 521.
8. *Ibid*
9. *Collected Works of Lenin*, Vol 20, p 19.
10. *Selected Works of Zhou Enlai on the United Front*.
11. *Selected Works of Lenin*, Vol 3, p 600.
12. *Collected Works of Stalin*, Vol 4, p 140.
13. Marx, Engels, Lenin, and Stalin, *Selected Works on the National Question*, p 391.
14. *Collected Works of Stalin*, Vol 13, p 319.
15. Marx, Engels, Lenin, and Stalin, *Selected Works on the National Question*, p 429.
16. *Anti-Duhring*, separate edition, pp 100-104.
17. Marx, Engels, Lenin, and Stalin, *Selected Works on the National Question*, p 386.
18. *Collected Works of Lenin*, Vol 24, p 269.
19. Marx, Engels, Lenin, and Stalin, *Selected Works on the National Question*, p 286.
20. *Collected Works of Lenin*, Vol 20, p 29.
21. Marx, Engels, Lenin, and Stalin, *Selected Works on the National Question*, p 200.
22. *Selected Works of Lenin*, Vol 2, p 719.

NATIONAL AFFAIRS, POLICY

Journal Reviews Economic Rectification

HK0802042962 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12, 5 Dec 91 pp 4-12

[Article by the Economic Improvement and Rectification Study Group of the General Department of the State Statistics Bureau: "Results, Problems, Enlightenment—Review of and Reflections on Three Years of Economic Improvement and Rectification"]

[Text] It has been more than three years since the party put forward the principle of "improving the economic environment, straightening the economic order and intensifying the reforms in an all-round way" at the Third Plenary Session of the 11th CPC Central Committee in September 1988. Following the continuous intensification of economic improvement and rectification over the past three years, profound changes have taken place in many aspects of the economy. We have achieved notable results and basically attained the major goals anticipated. Practice shows that the principle of economic improvement and rectification is a fundamental measure for overcoming the economic difficulties at that time. Not long ago, we conducted a special survey and study with comrades from the provincial or municipal statistics bureaus of Shanghai, Jiangsu, Zhejiang, Hubei, Liaoning with a view to obtaining some useful insights on the results of economic improvement and rectification as well as problems existing in our current economic life on the basis of a correct assessment of economic improvement and rectification over the past three years. We hope this will be of help to us in doing a better job in the future.

1. Background and Significance

Economic improvement and rectification is essentially a major economic readjustment. Like the several previous economic readjustments carried out since the founding of the PRC, it has aroused the concern of different quarters. Since this major economic readjustment is taking place in a new period when the reform and opening policy is making clear progress, there is every need for us to have a correct appraisal of its economic background.

Guided by a series of policies aimed at setting things right, particularly the party's basic line of taking economic construction as the central task, upholding the four cardinal principles and persisting in reform and opening the country to the outside world, the Chinese people have achieved universally acknowledged successes in building socialism with Chinese characteristics since the Third Plenary Session of the 11th CPC Central Committee. We have ushered in a new period which has seen the most thriving economic development, the fastest growth of national strength, the most abundant real benefits to the people and the greatest progress of opening up since the founding of New China.

However, while fully affirming the enormous achievements of economic construction in the first half of the 1980's, we must also soberly see the contradictions and problems that were present. In particular, we must see that because we were overanxious for quick results in our guiding ideology for economic construction and reform at one stage, coupled with the fact that we lacked experience in the complicated task of construction and reform, were not sufficiently aware of the danger of inflation and had made some deviations in macroeconomic regulation and control, the economy overheated after the fourth quarter of 1984. The policy of financial retrenchment and credit squeeze failed time and again, and inflation gradually exacerbated as the economy became more and more overheated. Problems of economic environment and economic order may be summed up as "four excesses and one chaos."

(1) Excessive social demand. Between 1985 and 1988, investment in fixed assets in society as a whole soared at an average rate of 26.6 percent annually from 254.3 billion yuan to 449.7 billion yuan, society's commodity purchasing power for the respective years increased at an average rate of 22.2 percent from 485.5 billion yuan to 1,043.8 billion yuan, and the total volume of retail sales increased at an average rate of 21.8 percent from 430.5 billion yuan to 744 billion yuan. Increases in the above-mentioned demand indicators all exceeded the average annual increase in gross national product at ruling price for the same period, which was registered at 19.1 percent.

(2) Excessive rate of industry growth, particularly the growth of the processing industries. Pulled by excessive social demand, industrial production showed an obvious growing tendency after 1984, and this became a leading factor of economic overheating. Between 1985 and 1988, the country's total industrial output value increased by an average annual rate of 17.8 percent, and reached 20.8 percent in 1988. In the fast growing industrial sector, the processing industries registered the highest growth rate. Between 1985 and 1988, the country's total light industrial output increased by an average annual rate of 19.1 percent, while in the heavy industrial sector, the output value of the manufacturing trades increased by an average annual rate of 17.3 percent. In 1988, the two rose to 22.1 percent and 21.6 percent respectively, both higher than the average growth rate for industry as a whole. The serious imbalance between industry and basic industries like agriculture, energy, raw and semi-finished materials, communications and transportation was due to this excessive rate of industrial growth.

(3) Excessive supply of credit and money. There has been an appropriate oversupply of credit and money following the introduction of the reform and open policy, but this is necessary as the monetization of the national economy quickens. However, since 1984, the supply of credit and money has greatly exceeded the needs of normal economic development and reform and has become one of the direct causes of excessive demand. Between 1985 and 1988, bank credits increased by 144.6 billion yuan

annually at a rate of 22 percent, while money supply increased by 31.6 billion yuan annually at a rate of 28.1 percent, not only much higher than the average growth rate for the 1979-1984 period, but obviously higher than the economic growth rate for the corresponding period. In 1988, in particular, money supply reached 68 billion yuan, seven times the average for the 1979-1984 period.

(4) Excessive price rise. As the imbalance between supply and demand exacerbated, the chain increase of the general level of retail prices soared from 2.8 percent in 1984 to 18.5 percent in 1988. Regarding the price increase in 1988, about eight percentage points were attributable to price readjustment by the state, while the remainder were due to a spontaneous price rise and the delayed affects of price rise in the previous year. On a monthly basis, the increase was 9.5 percent in January, 11.2 percent in February and 19.3 percent in July. In August, on account of panic purchases and bank run on a national scale, the general level of retail prices for the month rose drastically to 23.2 percent, reaching an all-time record of 26.7 percent in December. This unprecedentedly steep increase in commodity prices seriously affected economic and social stability.

(5) Chaos in economic order, particularly in circulation. In the process of the replacement of the old structure by the new, the system of macroeconomic regulation and control still leaves much to be desired and the legal and market systems are still imperfect. This, coupled with the growing tendency to go after partial interests which accompanied the diversification of the benefactor, and the fact that some people were resorting to unscrupulous tactics in order to seek personal gains, resulted in serious disorder in our economic life. Within a very short time, hundreds of thousands of "companies" of all sorts of descriptions mushroomed, and the phenomena of profiteering and random price rise and fee charges grew more and more serious. In 1988 alone, loss in income from price differences due to chaotic price management amounted to over 100 billion yuan.

The pile-up of the above-mentioned contradictions and problems in economic life over the years ultimately erupted in 1988 in the form of acute inflation. The market was turbulent and prices skyrocketed. The economy as a whole had come to such a critical state that extraordinary measures of readjustment became mandatory. This was the economic background of the economic improvement and rectification.

II. Results and Assessments

The economic improvement and rectification which began in the fourth quarter of 1988 may roughly be divided into three stages. In the first stage, which covered the period between September 1988 and August 1989, the policy focused on slashing demand and rehabilitation of order through different means to cool the economy, curb inflation, and stabilize the economic situation. In the second stage, which covered the period between September 1989 and August 1990, the policy

focused on control of total supply and demand, the appropriate readjustment of the degree of retrenchment, and the tackling of the problem of sluggish market and the slowing down of industrial growth in an effort to achieve moderate economic development while maintaining stability. In the third stage, which covered the period between September 1990 and September this year, the policy focused on the maintenance of normal economic growth, the improvement of economic performance and the promotion of an optimum economic structure. The results of economic improvement and rectification achieved in the past three years found concentrated expression in the following eight respects:

(1) The overheated economy has cooled and is now developing at a normal speed.

From 1985 to 1988 before the commencement of economic improvement and rectification, the economy was becoming more and more overheated. The gross national product (GNP) increased at an average rate of 10.7 percent while the total industrial output value rose at an average rate of 17.8 percent a year. After the economic improvement and rectification, the GNP growth rate dropped to 4 percent in 1989 and 5.3 percent in 1990. In the first nine months of 1991, it was 6.8 percent up on the same period of the previous year, and the figure is expected to be 6.5 percent for the whole of 1991. The average growth rate in the last three years has been about 5.4 percent. In 1989 and 1990, the growth rate of total industrial output value was 8.5 percent and 7.8 percent respectively. In 1991, it was 13.9 percent for the January-September period, or about 14 percent for the whole year. The average growth rate in the last three years is about 10 percent. Economic growth rate has basically been restored to a normal level, which is commensurate with the existing economic conditions. The goals of economic improvement and rectification have been met.

(2) Contradictions between supply and demand have been basically resolved, and inflation has been brought under control.

From 1985 to 1988, total demand outstripped total supply (calculated at prices in the previous year) by 11.8 percent on the average. Since the commencement of economic improvement and rectification, we have effectively brought under control the excessive growth of social demand and have brought about an improvement in the relations between supply and demand. The rate of differential between supply and demand dropped to 8.7 percent in 1989 and to 7.6 percent in 1990, and basically remained at this level in 1991. The average growth rate in the last three years was about 8 percent, which is basically within the normal range. The general level of retail prices in the whole country dropped to 17.8 percent in 1989 and further to 2.1 percent in 1990. The figure was registered at 2.5 percent in the first nine months of 1991, and is expected to be around 3.5 percent for the whole year, a tolerable level for all intents and

purposes. In this respect, we have met the requirements of economic improvement and rectification and won international acclaim.

(3) Market supply is good, the market order has shown an obvious turn for the better, and the mentality of consumers has returned to normal.

As the relations between supply and demand improve, we can see gratifying changes in the domestic market. First, as the market becomes well stocked with commodities of increased varieties and specifications, a buyers' market has emerged on a limited scale. Second, the market order has shown an obvious turn for the better. In particular, we have made notable progress in the cleaning up of companies. Companies engaged in profiteering in the realm of circulation have been cleaned up and reorganized in the main and irregularities have been rectified to a certain extent. Third, consumer mentality has been stabilized and there is an obvious decline in panic buying. From an overheated state, market sales gradually grew sluggish and then returned to a basically normal level.

(4) The basic industries have been strengthened and "bottlenecks" in the production structure have been eased.

During the economic improvement and rectification, the readjustment of the production structure gradually commenced. The agricultural, energy, communications, raw and semifinished materials industries all showed different degrees of improvement. At the same time, the excessively developed processing industries have been brought under control and the disharmony between the basic industries and the development of the national economy has been ameliorated somewhat.

First, agricultural production reaped bumper harvests for two years in a row and the output of principal agricultural products like grain, cotton, oil and sugar all registered increases of various degrees. Compared with 1988, total grain output increased by 52.16 million tons, total cotton output increased by 360,000 tons, the output of oil crops increased by 2.93 million tons, and the output of sugar crops increased by 10.27 million tons, and animal husbandry and fishery production developed steadily in 1990. Thanks to the hard work put in by all concerned, agricultural production is expected to perform well this year in spite of serious natural disasters.

Second, the disharmony between the development of basic industries and the development of the national economy has been somewhat ameliorated. The ratio of the speed of development in industry and agriculture during the 1989-1990 period was 1.55:1 compared with 4.34:1 during the 1985-1988 period. That of industry to energy was 1.95:1 compared with 3.36:1, while that of industry to transportation and posts and telecommunications was 1.19:1 compared to 1.32:1. The "bottlenecks" that hampered economic development have been relaxed somewhat.

Third, the proportion of investment in basic industries to investment in fixed assets has gone up, and this readjustment has produced considerable results. In comparison with 1988, investment in fixed assets in units under whole-people ownership increased by 5.6 percent in 1990. Of this, investment in basic industries increased at a rate faster than the growth rate for investment as a whole, and accounted for a larger proportion than before. For example, investment in agriculture increased by 26.8 percent, and its proportion of the total investment grew from 2.3 percent to 2.8 percent; investment in the energy industry increased by 31.3 percent, and its proportion rose from 23.3 percent to 29 percent; investment in transportation and posts and telecommunications increased by 9.7 percent, and its proportion of the total increased from 11.5 percent to 11.9 percent.

(5) Foreign trade has begun to show a favorable balance, the state's foreign exchange reserve has registered a substantial increase, and new progress has been made in opening the country to the outside world.

Since the commencement of economic improvement and rectification, excessive social demand at home has been effectively reduced, notable changes have taken place in the supply and demand situation, and the market is relatively well-stocked. This has provided a solid material foundation for the expansion of exports. This, helped with the continuous readjustment of the exchange rate and the reform of the foreign trade system, has ensured the smooth development of the export trade. In 1989 and 1990, China's total volume of exports was \$32.5 billion and \$62.1 billion respectively, an annual average increase of 14.3 percent. In 1990, we achieved a favorable balance in foreign trade, effectively ending the trade deficits since 1984. Although imports showed a conspicuous upturn in 1991, we continued to preserve this favorable balance by maintaining stable export growth. By the end of June 1991, the state's foreign exchange reserve had soared to \$33 billion. Of this, \$18.3 billion was in cash, an increase of \$14.9 billion over that available by the end of 1988. This is an all-time record. Meanwhile, we have taken new steps forward in the further opening of the country. The establishment of the Pudong New Development Area of Shanghai signals a new stage in China's opening up to the outside world. Between 1989 and 1990, China absorbed a total of \$20.35 billion in foreign investment. In the first half of 1991, a total of \$4.9 billion in foreign capital was utilized, a 3.1 percent increase over the same period of the previous year.

(6) The people continue to get real benefits.

Although the economic improvement and rectification has curtailed the growth of some excessive demands for consumer goods, urban residents continue to get real benefits in economic development. In 1990, the real per capita living expenditure income of city and town residents increased by 5.2 percent compared with 1988 (in the January-September period of 1991, income was 8 percent up on the same period of last year), while the real

per capita net income of rural inhabitants was up by 0.2 percent (in the first nine months of 1991, the per capita cash income of rural residents registered a rise of 8.6 percent over the same period of last year). The savings deposits of urban and rural residents increased by 323.3 billion yuan during the 1988-1990 period (in September 1991, the total was 161.9 billion yuan more than at the beginning of the year), showing an annual average increase of 36 percent. Cash savings and purchases of various securities and bonds have increased as well.

(7) The means of macroeconomic regulation and control have varied and valuable experience has been accumulated.

During the period of economic improvement and rectification, China has seen a shift of emphasis in its macroeconomic regulation and control from reliance on administrative means to reliance on economic levers like prices, interest rates, exchange rates and tax rates, as well as necessary laws and regulations. This shift has produced good results, and embodies the principle of the integration of the planned economy with market regulation. We have accumulated valuable experience in this regard. Practice shows that as the means of macroeconomic regulation and control become more varied and perfect, there will most certainly be more favorable conditions for improving the scientific nature and effectiveness of our macroeconomic regulation and control.

(8) The new progress made in reform has played a positive role in our shift of focus in economic work.

During the economic improvement and rectification, China has substantially readjusted prices of basic products and services like energy, raw and semifinished materials, transport services and agricultural products. In particular, the successful readjustment of market prices for rationed grain and edible oil for urban and rural residents has eased price contradictions and reduced financial burdens on the state. New breakthroughs have also been made in the reform of the foreign trade system. Most state industrial enterprises have concluded their second round of contracts. In the rural areas, the reform of the system of dual management has continued to show progress. In the meantime, experimental reforms have been conducted in such fields as banking, finance, taxation, social insurance, housing and medical services. The progress made to date will play a significant role in future reform and development.

On the whole, economic improvement and rectification in the past three years has produced universally acknowledged successes. The major goals have been met, and a relatively flexible economic environment has been created. A basic economic order has gradually taken shape in the course of reform, thus laying a fairly solid foundation for the further resolution of contradictions and problems in our economic life, the promotion of reform and the opening of the country, and the building of socialism with Chinese characteristics.

III. Problems and Conclusion

Economic improvement and rectification in the past three years has freed the national economy from the predicament of violent fluctuations, and promoted political and social stability. The economic situation is heading in a favorable direction. However, there are still some deep-rooted problems that need to be resolved in the economy, and there are still difficulties on our way of advance. Most prominent of these problems are: Poor economic performance, financial difficulties and the irrational structure of production elements. These are major factors preventing the economy from making a fundamental turn for the better.

(1) Poor economic performance.

In spite of the fact that local governments at various levels have adopted numerous measures to tackle the problem of poor economic performance, and have achieved some successes in this regard since the commencement of economic improvement and rectification, we have not seen an obvious improvement in economic performance. In fact, there was even a continuous decline in economic performance over a fairly long period of time. This aroused the concern of different quarters. Poor economic performance found concentrated expression in a big drop in profit level in the realm of production and circulation, overexpending, and increased expenditure and deficits. The total profits and taxes generated by state-owned independent accounting industrial enterprises dropped from 177.5 billion yuan in 1988 to 150.3 billion yuan in 1990, a decrease of 15.3 percent (profits dropped by 56.5 percent from 89.2 billion yuan to 38.8 billion yuan). The costs of comparative products increased by 30.8 percent and the scale of losses expanded from 10.9 percent to 27.6 percent. The losses of unprofitable enterprises increased from 8.19 billion yuan to 34.88 billion yuan, a 4.3-fold increase. Profits generated by state cooperative commerce dropped by 94.6 percent from 12.3 billion yuan 670 million yuan, the cost incurred in selling 100 yuan's worth of commodities increased by 18.8 percent from 6.45 yuan to 7.66 yuan, the scale of losses expanded from 9.9 percent to 26.7 percent; and the scale of losses of unprofitable enterprises increased by 1.08 times from 4.8 billion yuan to 10 billion yuan. Although speed-oriented performance has demonstrated its effects since 1991, no obvious change has been made in the situation of poor economic performance. In the first nine months of 1991, budgeted profits and taxes turned out by the state industrial enterprises increased by 10.4 percent over the same period of the previous year (of this, profits decreased by 3.3 percent). The losses of unprofitable enterprises increased by 19.3 percent, and the scale of losses was 36 percent of the total. In the first six months, profits generated by state cooperative commerce dropped by 2.6 percent, and the losses of unprofitable enterprises remained as high as 4.5 billion yuan.

It should be pointed out that poor economic performance has been a chronic malady in the development of

the Chinese economy. During the period of economic improvement and rectification, economic performance remained poor and showed a tendency to drop further. In addition to inherent factors like the irrational allocation of resources, the distorted system of pricing, low technical level and poor management, there are the following special new factors. First, there has been a shortage of some commodities for a long time, and this shortage has been alleviated during the period of economic improvement and rectification. The supply of commodities which always fell short of demand has been eased to some extent. In particular, the supply of some consumer goods has outstripped demand. As a result of changes in the relations between supply and demand, many enterprises which used to perform well by capitalizing on the thriving of both production and marketing found they no longer had this advantage. This inevitably caused their economic performance to drop. Second, the economic improvement and rectification has curbed inflation, and initially put an end to disorder in the circulation channels. The random price rises and fee charges have been reduced and the "exaggerative economic benefits" gained through inflation have been eliminated. This will most certainly cause enterprise performance to return to the level during periods of normal operation. Third, because macroeconomic regulation and control was tightened for some time, some of the normal consumption and investment needs were suppressed. The resultant increase in overstocking could also restrain enterprise performance to some extent. Fourth, the aftereffects of the overheated economic development of recent years. As a result of the launching of large numbers of duplicated projects and blind construction, the productive capacity of the processing industries greatly exceeded the market absorption capacity and the tolerance level of the basic industries. This has produced an irrational structure of production elements. As stability was given overriding importance during the period of economic improvement and rectification, little progress has been made in the readjustment of the structure of production elements. This has also affected our efforts to improve economic performance.

In general, poor economic performance reflects an irrational economic structure and enterprise mechanism. Enterprises lack the necessary management autonomy and control mechanism. The mechanism which enables profitable enterprises to survive and for unprofitable ones to be weeded out through competition needs to be strengthened, and there is an overemphasis on individuals in distribution. These, coupled with random fee-charges in society, have resulted in a heavy drain on the economic returns of enterprises. Thus, measures of economic improvement and rectification alone cannot improve economic performance. We must tackle the problems comprehensively. In particular, we must intensify the reforms in order that enterprises will have the internal drive for improving their performance and will be able to stop the drain on economic returns.

(2) Financial difficulties

Since the economic improvement and rectification, the State Council and local governments have adopted many measures aimed at increasing revenue and reducing expenditures to alleviate the burden on the state coffers. Necessary policies of readjustment have been introduced to straighten out financial and economic discipline. As a result, state revenue has sharply increased. In 1989 and 1990, state revenue increased 12.2 percent and 12.4 percent, respectively, compared with the previous year. The momentum of decline in the proportion of state revenue to the national income was stopped. However, due to the fact that the system of distribution has yet to see a major readjustment and the retrenchment of expenditures has not achieved the set goals, state expenditures remain substantial. In 1989 and 1990, state expenditures rose 12.2 percent and 13.6 percent respectively compared with the previous year. The figures remained the same or showed a small increase over the state revenues of the corresponding period. As a result, financial difficulties aggravated rather than reduced. The deficits reached 9.2 billion yuan in 1989 and 14 billion yuan in 1990. In the first nine months of 1991, the figure stood at 5.8 billion yuan. If domestic and foreign loans as well as outstanding subsidies are also taken into consideration, the deficits would have been much larger.

There are four main reasons for the present financial difficulties. First, financial debts increased. In the last few years, China has entered the peak debt repayment period of both principal and interest. The principal and interest amounted to 7.68 billion yuan in 1988. The figure rose by 11.36 billion yuan to 19.04 billion yuan in 1990, accounting for 81 percent of that year's deficit. From January through September 1991, debt expenditures were 6.6 billion yuan more than the same period of the previous year, accounting for 113.8 percent of deficit during that period. Second, the economic performance of enterprises remained poor and the state had to pay heavy subsidies for their financial losses. Subsidies from the state for enterprise losses amounted to 59.9 billion yuan in 1989 and 58.8 billion yuan in 1990, an increase of 34.1 percent and 31.7 percent respectively compared with 1988, accounting for about 20 percent of all state revenues for the same period. Third, the distribution system is irrational and financial resources are decentralized, with an overemphasis on individuals and projects not covered by the state budget. This has caused a shift of some financial resources to other purposes. The present economic improvement and rectification has not brought the economy to a standstill, but because the pattern of vested interests has not been touched upon, the gains of the state coffers from economic development has basically remained at the same level as before. It has been estimated that in the distribution of gross domestic product, the proportion for the state increased to 255.4 billion yuan in 1990 from 204.5 billion yuan in 1988, an increase of 24.9 percent, but the proportion remained the same as in 1988 of 14.6 percent. The proportion allocated for individuals rose from 875.5 billion yuan to 1.09 trillion yuan, an increase of 24.4 percent, or 61.7

percent of the total, only 0.9 of a percentage point less than in 1988. Fourth, the structure of financial expenditures is irrational. After the economy was stimulated, the expenditures covered by state revenues were not reduced proportionally in accordance with the principle of joint responsibility by the state, collective, and individual. This has resulted in a heavy burden on the state coffers. In addition, overstuffed governmental organizations brought the administration spending to a level beyond tolerance. At the end of 1990, state organs, party and government departments and social organizations employed a total of 10.79 million people, some 2 million more than in 1988. Administration spending rose to 33.35 billion yuan, 9.4 billion yuan more than in 1988, an increase of 39.3 percent. Lax financial and economic discipline, tax dodging and the deliberate defaulting of profit and tax payment were common. This has caused a loss of state revenue.

From this, we can see that the present financial difficulties have not come from the fact that we have failed to create social wealth. They have resulted from the irrational distribution of existing financial resources, the many loopholes in economic management, the irrational structure of financial expenditures and other factors. There is a question of economic system behind all these. Thus, it is very difficult to put an end to the present financial difficulties simply by relying on the present measures of economic improvement and rectification.

(3) An irrational structure of production elements.

After three years of economic improvement and rectification, China has basically put an end to the serious imbalance of its industrial structure. The problem of "bottlenecks" has also been ameliorated. However, the structural problem remains. This is mainly manifested in the fact that there are too many readjustments on newly added production elements and too few readjustments on existing ones. The distribution of production elements is irrational and the rate of utilization of resources is low. For example, the capacity utilization rate for 19 major manufactured products, including color television sets, refrigerators, washing machines, automobiles, tractors, beer, cigarettes, vacuum cleaners and recorders, is very low (in 1990, electric fans registered the highest utilization rate of 77.8 percent while vacuum cleaners registered the lowest utilization rate of 17.7 percent). Enterprise economic performance is poor. However, most enterprises simply "suspend production or work at half capacity," passively letting their productive capacity stand idle rather than making genuine efforts to optimize their organization. This shows that the readjustment of the overdeveloped processing industries is slow and the problem of the irrational structure of production elements remains serious. This is mainly due to the irrational economic structure. First, a flexible and effective mechanism of readjustment is required. Structural readjustment is a complicated process that requires the guarantee of necessary mechanisms. Since there are numerous varieties of commodities and market demand is ever-changing, it is very difficult for the state to have

a comprehensive grasp of the situation. Even if this could be done, the state would not be able to catch up with new changes in practice as it takes time to understand the situation and to formulate and implement policies. Without the necessary market regulatory mechanism, and when the function of planned regulation is weakened, this will increase the difficulty of readjustment and cause delays in readjustment. Second, the central government is weak in its capability for macroeconomic regulation and control, and its readjustment methods for newly added production elements is limited. It is thus difficult for the government to correct the dislocated structure on a timely basis. Third, the imperfect social insurance system makes it difficult for profitable enterprises to survive and for unprofitable ones to be weeded out through competition. This means that many enterprises that should have been closed, suspended, merged or switched to other lines of production have not been subject to readjustment. In addition, the practice of the contract system has also perpetrated the existing enterprise structure, making it difficult for enterprises to readjust their structure of production elements.

Thus, under the existing system, not only do enterprises lack the internal mechanisms for taking the initiative in readjustment, they also lack a suitable external environment for accomplishing this task. It is unrealistic to hope to accomplish the readjustment of the structure of production elements in a short time. This, coupled with the fact that the structural problem is restrained by different interest mechanisms, makes it difficult to tackle the task in isolation. We need the support of all concerned and need to intensify the structural reform.

To sum up, the above-mentioned economic problems show the following characteristics:

1. These problems are of immediate as well as historical importance, as they are major difficulties that currently exist and are problems that have been hampering the healthy development of the economy for a long time.
2. These problems are not brought about by the economic improvement and rectification and could not have been completely resolved by relying on the extraordinary measure of economic improvement and rectification alone.
3. There are structural questions and questions of the choice of macroeconomic regulation and control policies behind these problems.
4. All of these problems urgently need solution, but we cannot be overanxious for quick results. They need to be tackled comprehensively.

Thus, after the economic improvement and rectification has basically fulfilled its historic mission as an extraordinary measure for an extraordinary period, we should shift the focus of economic work to normal reform and development and resolve these problems step by step in the course of reform and development.

IV. Enlightenment and Measures Proposed

A review of the changes that have occurred in our economic reform and development since the economic improvement and rectification and of the measures adopted can provide us with precious experience and useful enlightenment on doing a better job of the economic structural reform and promoting the healthy development of the national economy.

(1) Remarkable changes have taken place in economic operational mechanisms compared with the time before the economic improvement and rectification. This fact should be sufficiently stressed in future macroeconomic regulation and control.

First, China's commercial and monetary economy has reached a comparatively high level of development. After more than 10 years of reform and opening up, the highly centralized product economy has been replaced by a planned commodity economy. Due to the diversification of economic sectors, different economic sectors are relying on the market mechanisms for regulation. The traditional means of planned management need to be updated and strengthened, and financial and monetary systems, two large economic levers, are playing an increasingly important regulatory role in economic development. It is thus necessary to promote the reform of the financial system with separate taxation and double-entry budget as its main content, rationalize relations between the financial and monetary sectors, strengthen the regulatory function of central banks and gradually limit administrative interference of governments at various levels in banking while continuing to reform the system of planned management. Through reform, specialized banks should be helped to separate themselves from central banks and assume sole responsibility for profits and losses. Banks should do well in their monetary and credit business and play a more active role in the national economy.

Next, the motive forces behind economic development have changed, and social demand is playing a bigger role in controlling economic development. Before reform, China's industrialization had only just begun and the main impetus to economic development was large-scale investment in fixed assets and swift industrialization. People's living standards and the state's actual strength were both on a comparatively low level. Social demand was high and people did not expect too much of their products. Our only concern was to achieve a high speed of development, as there was no problem marketing the products. After more than 10 years of reform, the people have secured a life with enough food and clothing and industrialization has attained a fairly high level of development. During the economic improvement and rectification, extensive and sustained weakness of the market demonstrated that social demand was playing a bigger role in controlling economic development. Quantitative increase alone could no longer give impetus to economic growth. Both consumer purchases and economic construction required a new technical level, better quality

and varied composition of products. Consumers were more critical, and the traditional supply structure could no longer satisfy their needs. Thus, it is necessary to strengthen management over investment in the processing industries and to avoid duplicated projects and blind construction. In particular, the trend toward convergence in the structure of consumption as well as the trend toward parity of income behind this remind us that we must reform the distribution system, truly bring about distribution according to work, ensure the strict enforcement of law and discipline, correct the overemphasis on individuals in distribution, rationally expand the differences between wage grades, and form a gradient structure of demand. Through this gradient structure of demand, it is possible to rationalize the gradient of the demand structure. The effects of the consumer mentality on the market have also increased. We should fully take this into account when developing the economy and formulating policies of macroeconomic regulation and control.

Furthermore, the development of the national economy needs to attain a new level of economic maturity. In 1990, under conditions of market stability and normal consumer mentality, huge amounts of cash generated by increased demand flowed back to the banks in the form of savings before even entering the sphere of consumption. The consumption cycle was thus disrupted, and the market did not recover at the same pace as production growth. The main reason is: In the last decade, both urban and rural residents have experienced a rapid increase in their consumption level, urban residents in their purchase of household electrical appliances, and farmers in the building of new houses. At present, this trend has cooled, and another consumption boom (such as the purchase of housing units and private cars in cities and the purchase of household electrical appliances in the rural areas) has yet to begin. Consumption has entered a stage of "disruption," with difficulties experienced in expanding consumption in cities and upgrading the consumption level in the rural areas. Low consumption growth may be the characteristic feature in the next stage. This new trend should be taken into consideration in macroeconomic regulation and control. On the one hand, efforts should be made to develop agricultural production, liberate the rural productive forces and accelerate the shift of urban consumer goods to the rural areas in order to reduce losses resulting from drastic structural readjustment in the course of economic maturing. On the other hand, efforts should be made to choose a new level of economic maturity with reform of the housing system as the key task and to accelerate the development of such infrastructure facilities as energy and communication in order to form a new chain of economic development.

Lastly, the domestic economy has become more dependent on the international economy and has been drawing more on the experience of the latter. During the economic improvement and rectification, China's total volume of imports and exports successively hit the \$100

billion, \$110 billion and \$120 billion mark, with total exports registering a faster growth rate. In 1990, total imports and exports accounted for 31.4 percent of the GNP, with exports accounting for 16.9 percent. Dependence on the outside world was already fairly high. From 1989 to 1990, the demand for Chinese export goods increased while domestic demand decreased and the stockpile of goods increased. This has supported a recovery of the domestic economy and become a primary driving force behind a reasonable growth in the national economy. During the two years and more of economic improvement and rectification, foreign trade enjoyed a favorable balance, and foreign exchange reserve showed a big increase. This has given us greater leeway in making use of the international economy in macroeconomic regulation and control. In the future, we should pay more attention to using the international economy and world market to help regulate the domestic economy and market. We should approach regulation and control with a global view.

(2) The lack of stamina in the development of enterprises has reached a stage when it can no longer be overlooked.

During the economic improvement and rectification, there have been great economic fluctuations and rapid changes in the market. Many enterprises have been able to withstand the tests and have adapted to market changes through structural readjustment. However, a considerable number of enterprises, particularly large- and medium-sized state enterprises, have been ill-prepared for the rapidly changing economic environment. They have landed themselves in a predicament because they did not have the ability to carry out structural readjustment. The reasons are as follows: First, the machinery and equipment of enterprises are extremely outmoded. According to sources, 30 percent of the machinery and equipment of enterprises were acquired in the 1950's and 1960's, while 50 percent were acquired in the 1970's. Most of these were manufactured in a rough and slipshod way during the Cultural Revolution, while some were "antiques" already in use before Liberation. Second, enterprises have a low profit level and meager financial resources. In 1990, the rate of profits from sales for industrial enterprises with independent accounting was 3.33 percent, and most of the profits retained were spent on welfare and bonuses. Their expansion was mainly funded by bank loans, as their own circulating funds accounted for less than 20 percent of the entire circulating funds. Thus, the task of promoting enterprise reform and invigorating enterprises brooks no delay. In particular, efforts must be made to further invigorate large and medium-sized state enterprises and establish in these enterprises a new mechanism for management autonomy, full responsibility for profits and losses, self-expansion and self-control. In invigorating large- and medium-sized state enterprises, it is necessary to adhere to the principle of dealing with each case on its merits. In the immediate

future, we should concentrate on invigorating key enterprises producing machinery and electronic products, energy, raw and semifinished materials and goods for export.

(3) The rapid accumulation of the financial capital of residents has brought about new tasks of economic development.

In the last three years, there was a rapid increase in the surplus purchasing power of residents. By the end of 1990, surplus purchasing power was 912.3 billion yuan, 362.8 billion yuan more than in 1988, or an increase of 66 percent. As a trend, this was reasonable. It was the natural outcome of economic development, a sign of the transition from subsistence to a relatively comfortable standard of living. However, as far as speed was concerned, this came about as a result of the irrational system of distribution and incompetent law enforcement. The present problem is how to utilize the financial capital of residents to serve the national economy. At present, more than 80 percent of their money is deposited in banks and only a small proportion is spent on the purchase of state treasury bonds, securities and stocks. Although the state can utilize residents' financial capital by turning their savings into loans, this will increase the cost of enterprises. Moreover, due to the flexible nature of savings, residents' financial capital is highly unstable and is in possible danger of touching off market fluctuations. Thus, while continuing to keep savings at a stable level, we should explore new ways of utilizing residents' financial capital. For instance, we should, in a planned way, issue bank bonds, enterprise bonds, securities and stocks, and develop housing deposits, insurance deposits, social insurance funds, commission investment and other financial forms in order to establish a rational structure of financial capital and give full scope to the role of the financial capital of individual residents in socialist modernization.

(4) Further enhance the scientific nature of macroeconomic regulation and control.

The practice of economic improvement and rectification shows that in order to achieve optimum results with the least cost in our policies for macroeconomic regulation and control, it is necessary to ensure the scientific nature of macroeconomic regulation and control. Some of the policies adopted by the central government during the economic improvement and rectification, such as inflation-proof savings, the screening of companies, the increase of investment in fixed assets by 40 billion yuan in 1990, the flexible handling of interest rates and exchange rates are quite scientific and have produced conspicuous results. On the other hand, the measure of injecting huge loans to meet intermediate demand taken since the fourth quarter of 1989 has not done too well in motivating the economy, and has artificially boosted the recovery of industrial growth. This has resulted in a large stockpile of goods and has remained a heavy burden on the economy.

In order to enhance the scientific nature of macroeconomic regulation and control, it is necessary first of all to establish a flexible system of monitoring, warning and detection and know the necessary quantitative limits in order that macroeconomic regulation and control can grasp the state of economic operation on a timely basis and forecast the future trend of economic development. In this way, macroeconomic regulation and control will be carried out at the most opportune moment and with the correct intensity. Second, it is necessary to establish a perfect organizational system for macroeconomic regulation and control, and properly coordinate planning and regulation of banking and finance. In terms of methods, we should mainly resort to indirect regulation and control and economic means, avoid creating barriers between departments and regions, reduce friction and dislocations in regulation and control, and improve the effect of regulation and control by creating a good external environment for the orderly operation of the macroeconomy and for the improvement of the economic returns of enterprises. Lastly, it is necessary to improve the process of macroeconomic regulation and control and organically coordinate the four steps of consultation, decision, execution and monitoring in the decisionmaking process. Efforts should be made to do a good job of advance monitoring and warning in order to avoid subjective initiative and increase the effectiveness and flexibility of macroeconomic regulation and control. In the course of execution, efforts should be made to do a good job of checking and inspection to enhance the seriousness of the policy decisions.

(5) Macroeconomic regulation and control should be freed from microeconomic affairs as quickly as possible.

Although we have adopted many macroeconomic measures during the economic improvement and rectification, we have also used up much energy in handling macroeconomic affairs, such as the stockpile of goods as a result of irrational product mix, and the question of poor enterprise performance and poor quality of products. This is unavoidable in a special period of economic development, but if this situation is allowed to go on, it will diversify the forces of macroeconomic decisionmaking, and adversely affect the quality of macroeconomic regulation and control and the development of the national economy as a whole. Thus, macroeconomic regulation and control should be freed from microeconomic affairs as quickly as possible. By this we do not mean that the state should not concern itself with microeconomic affairs at all. What we mean is that it should exercise indirect regulation and control over enterprises through the establishment of a normal economic order and the use of various economic and legal levers.

First, it is necessary to have a clear picture of the position and role of the macroeconomy in the system of economic operation which organically combines the planned economy with market regulation. In this system of economic operation, the macroeconomic decision-making level occupies a central position. In order to bring into play the role of the planned economy in

providing guidance for the whole society, it is necessary to have a clear picture of the following major tasks of the macroeconomic decisionmaking level:

(1) It is necessary, in accordance with such objective economic laws as the law of value, the law of planned and proportionate development and the socialist law of distribution according to work, and through the promulgation and implementation of various laws and decrees, to establish an order of operation for the national economy as well as a unified socialist market system. This will ensure the orderly and prescribed operation of the national economy. (2) It is necessary to formulate a correct plan of economic development and correct industrial policies, and make use of economic and legal means like tax rates, interest rates, exchange rates, prices and unemployment rates to guide the rational allocation of resources and ensure the implementation of the economic development plan and industrial policies. (3) It is necessary to place under the direct operation and management of the state the few monopolistic industries and products, such as trunk railroad lines, posts and telecommunications, nuclear power, grain and petroleum, which have a lower requirement for standardization and which play a significant role in the national economy. Microeconomic economic units should abide by the laws and decrees of the state and the order of the socialist market, accept the regulation and control of state plans, decide on their production and operation in accordance with the law of value, and fully release their vitality in order to ensure the fulfillment of the objectives of macroeconomic regulation and control.

Second, continuous efforts should be made to intensify the reforms. At present, there are at least two urgent tasks of reform. First, it is necessary to establish a reasonable social insurance system. The employment problem will be a major problem confronting China's economic development in the 1990's and possibly for a longer period to come. The tackling of the problems of industrial structure and performance will also require a reasonable social insurance system. The key to the establishment of this system is the raising of social insurance funds. Not long ago, the State Council passed a resolution on the reform of the retirement insurance system for enterprise employees. In the future, we should strive to make continuous efforts to improve and supplement this system. Second, we need to have a speedier reform of enterprises. Government and enterprise functions, that is, ownership and management, should be separated. We should continue to try out the shareholding system which has public ownership as the main form and which is supplemented by other forms of ownership, and carry out experimental reforms on the management of state assets. As the Enterprise Law and the Law on Enterprise Bankruptcy are implemented, a system should be established to regulate existing fixed assets.

(6) The relations between readjustment, reform and development should be properly handled.

In the present economic improvement and rectification, we have maintained a moderate rate of economic development and given the economic readjustment greater room of maneuver rather than simply trying to "make sufficient cutbacks" as in previous economic readjustments. Rather than carrying out readjustment for the sake of readjustment, we have combined readjustment with reform, grasped the opportune moment, and advanced the course of reform in a timely way. We have achieved satisfactory results in these endeavors and accumulated experience for the better handling of relations between readjustment, reform and development in future. Since readjustment and development are both long-term issues, especially since economic restructuring is a progressive and dynamic process, drastic and destructive measures are not recommended. This requires that we establish a mechanism of self-regulation so that the motive forces of readjustment and the accumulated capacity for readjustment can help bring about a major readjustment through regular small readjustments. In this way, unnecessary damages can be avoided. To this end, we must continue to promote the reforms. They are necessary means of readjustment as well as powerful motivational forces behind social and economic development. It is only through continuous reforms that drawbacks in the existing system can be eliminated and the national economy can develop in a sustained, steady and coordinated way.

Statistical Evaluation of Industrial Output Changed

92CE0328B Beijing JINGJI RIBAO in Chinese
19 Feb 92 p 1

[Article by reporters Tian Ruzhu (3944 1172 2691) and Zhen Zongjun (7115 1073 6511)]

[Text] Indicators for evaluating China's industrial production this year are expected to undergo significant change. The old evaluation system centered around the gross value of industrial output is expected to be replaced by a new system based on the composite index obtained from the values of increased industrial appreciation and economic efficiency. This is the impression of staff reporters who attended the National Statistical Conference held on 18 February.

It is understood that the important contents of the reform plan for improved evaluation of industrial production as proposed by the State Bureau of Statistics, the State Planning Commission, the State Council's Office of Production etc., are: Beginning in the second quarter of 1992, indicators for the values of industrial appreciation and of industrial sales, and a system for evaluating economic efficiency will be established, statistics will be reported monthly to provide the primary basis for assessing the scale, rate, and efficiency of industrial production.

Setting up monthly statistics on the value of industrial appreciation will, more scientifically and comprehensively, reflect the ultimate results of the industrial production operation, and provide dependable data for the gross value of domestic output. Calculation of the increased industrial appreciation value is based on indicators for the net value of industrial output at current prices, and the rate of increase in the industrial appreciation is reflected in comparable prices.

Monthly statistics on the value of industrial product sales mainly reflect the fact that the scale and rate of sales for a product have been realized. At the same time, these indicators utilize the current price and the constant price to calculate and reflect the rate of sales for an industrial product, and the rate of industrial sales growth. At the same time, indicators for the gross value of industrial output are no longer the primary indicators for evaluating the scale and rate of industrial development, becoming only indicators for general statistics and analysis.

Setting up a system for evaluating economic efficiency will, from the input/output relationship of various production elements, reflect the overall economic efficiency of industry. According to actual conditions in the current monthly statistical data, the following six indicators are selected for monthly evaluation: the industrial product sales rate, the industrial capital profit/tax rate, the industrial cost/profit rate, the net value rate of industrial output, the total industrial labor productivity rate (calculated according to the net value of industrial products), and the number of times of liquid capital turnover. It is on the basis of these indicators that the composite index of industrial economic efficiency is calculated, and horizontal and vertical ratio analyses of different localities and industries are carried out to make a comprehensive evaluation. Therefore, a unified indicator system and a unified method to calculate industrial economic efficiency and evaluation standards will be formed. Furthermore, a primary financial indicator statistical system will be set up to meet the data needs for monthly evaluations of industrial economic efficiency.

Wang Bingqian on Assessing State Assets

92CE0328A Beijing JINGJI RIBAO in Chinese
19 Feb 92 p 1

[Article by reporters Zhen Zongjun (7115 1073 6511) and Tian Ruzhu (3944 1172 2691)]

[Text] On 18 February, Wang Bingqian [3769 3521 0051], Minister of Finance, member of the State Council and chief of the State Council's Assessor's Office, declared that certain policies, systems and methods related to management of state assets that are not suited to economic development at the present time should first be tested and proven through pilot projects that are "built up first, before being torn down." Therefore, work at pilot testing points must be carried out seriously, and not be rushed and implemented on an overall scale. This

is the important guiding principle in assessment of the state's assets, as presented in an address given by Wang Bingqian at the National Conference on Pilot Projects for Assessing State Assets.

He said that appraising the state's properties and funds is an important task during the economic life of the Eighth Five-Year Plan. Initiating this task helps to gauge the extent of China's "domestic industry" and national strength to make accurate macroeconomic policies. It is also beneficial to solving certain problems and deep contradictions in our economic life, to furthering reforms in the economic system, and to maintaining and strengthening the leading role of the public ownership system in the people's economy.

With respect to the general idea behind this assessment project, Wang Bingqian declared that the whole task will be carried out in three stages, and completed within four to five years. The first stage consists of preliminary preparation and setting up pilot test points. The second stage consists of activation and overall implementation. The third stage consists of having the system established and experiences summarized and evaluated. He also stated that according to the State Council's unified plan, the first stage test point will be set up by the end of the first quarter of this year, a very important and critical step in this task of appraising state assets. For this reason, understanding what this assessment project is all about is the first problem to be solved. While most localities and departments assign great importance to this assessment task, there are some localities and departments that do not fully understand its importance, and are mainly concerned that once problems are exposed by this assessment, ongoing work and political achievements will be affected, the goals of enterprise meeting quotas and promotion, and the balance between work efficiency and worker feelings will be affected also. Some localities and departments hope that through this assessment the state will help enterprises solve "left-over" problems, it will assume the business and property losses of those enterprises checked. A few units even hope to take advantage of this process to expand the financial strength of their enterprises. These misconceptions are detrimental as we start the work to appraise state assets. Objectively speaking, contradictions and problems exist, and they will be exposed sooner or later. As seen now, it is better to expose them sooner than later. Relevant departments and local people's governments responsible for this assessment task at pilot test points must take their responsibilities seriously, clarify problems, study policies, summarize experiences, and explore ways to implement this task.

The deputy chief of the State Council's Leadership Group for Assessing State Holdings, and the chief of the Bureau of State Assets Management also made important speeches at the conference.

Contracted Labor System Replacing Iron Rice Bowls

HK1503053192 Beijing CHINA DAILY (BUSINESS WEEKLY: SHANGHAI FOCUS) in English 15 Mar 92 p 3

[By staff reporter Chen Qide: "State Firms Throw Out Iron Rice Bowls"]

[Text] State-owned enterprises, which once provided "iron rice bowls" for their workers, are no longer what they used to be.

More than 200,000 local workers have thrown away the iron rice bowl and started working as contracted employees.

For dozens of years, they all received the same pay, regardless of their contribution to the enterprise—the "big pot rice" system—and this has been regarded as a superior feature of the State-owned enterprises. In fact it has led to their slow development.

Now the contracted labour system is being used as the chief means to revitalize the large and medium-sized State-run enterprises.

Last week the Shanghai Automation Instrumentation Company, with 16,600 employees in its 23 affiliated factories, set a pioneering example and signed a contract with its immediate superior—Shanghai Instrument and Telecommunications Industries Bureau—to use contract labour.

"Changing the employment system is fundamental to the company's fast development," said Ni Guangrong, general manager, who is now a contracted employee himself.

As the country's largest automation instrumentation production base, followed by Sichuan and Xian, in Shaanxi Province, the company has technical strength and marketable products.

"But the 'big pot rice' system of wages dampened the initiative of enterprises as well as of the workers," said Cui Zhiqiang, assistant general manager of the company.

Under the heavy burden of miscellaneous levies, enterprises had no resources to develop themselves. He said that 75 percent of their sales volume had to be turned over to the State in the name of income tax, without considering other taxes.

After providing for all kinds of social burdens, bonuses and welfare funds, enterprises used to be left with only 1 percent of the sales volume for developing new products.

"That is too small," he said, adding that enterprises weren't able to borrow from banks, either.

The result was the enterprises were ossified due to lack of development funds, and had to continue production with outdated and backward equipment.

"The vicious circle has led many State-owned enterprises into deficit," Cui said.

The unprofitable enterprises dammed up the initiative of their workers, whose small income from their daily work left them less than well-off.

"The best way to liven up the State-owned enterprises is to change the existing labour system," he said.

The new system means turned-over tax has dropped from 75 percent to 33 percent, giving enterprises the financial power to repay loans borrowed to develop new products.

Meanwhile, all regular workers will become contractors and get no bonus or responsibility payments if they do not measure up to new posts.

It is expected about 10 percent of the workforce would have to be retrained for different jobs.

PROVINCIAL

Jiangxi's Nanchang City Constructs Economic Zone

HA 1701000192 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 11 Mar 92

[Excerpt] An economic development program of the Nanchang sector of the Nanchang-Jiujiang Industrial Corridor has initially taken shape. At a forum on constructing the Nanchang-Jiujiang Industrial Corridor held by the provincial planning commission a few days ago, a responsible person of the Nanchang City people's government briefed attendees on the main points of his city's plans for constructing an economic zone in the city's northern part. The economic zone will fully rely on and use the economic and technical force of the old city area and the existing foundation and conditions of the northern part of Nanchang to pursue new economic systems, operational mechanisms, new management measures, and new policies. Advanced technological facilities are to be utilized to transform traditional industries and existing enterprises. [passage omitted]

The responsible person of the Nanchang City government added: The overall economic arrangements of the economic zone in Nanchang's northern part are that the zone will be divided into five sub-zones, including a traditional industrial zone, a culture, education and scientific research zone, a commercial zone, a tourism and landscape zone, and a transactional agricultural zone, covering 78.8 square km. [passage omitted]

At the beginning of spring this year, Nanchang started constructing an economic zone. Efforts have been made to repair and widen Highway Nos. 320 and 105 in northern Nanchang. In (Changning) area, 20,000 telephone sets have been installed. In addition, efforts have also been made to prospect and fix a site for building a

civilian airport (words indistinct). Various kinds of specific work are being gradually carried out.

FINANCE, BANKING

How To Control, Manage Foreign Reserves

92CE01244 Beijing JINGJI RIBAO in Chinese 1 Feb 92 p 1

[Interview with Professor Wu Nianlu (0702 1819 7627), director of the International Financial Research Institute of the Bank of China, by staff reporter Gao Yongyi (7559 3057 3015): "How To Properly Manage and Make Good Use of China's Foreign Exchange Reserves"]

[Text] Foreign exchange is a symbol of national wealth. More foreign exchange reserve means greater capacity to pay, and vice versa. The enterprises are striving to export more and earn more foreign exchange. The people are trying in every possible way to convert their savings into foreign exchange. Foreign exchange has found its way into the homes of ordinary people and is recognized by just about everybody. According to state-published figures, as of the end of September last year, China's foreign exchange reserves totalled \$39.96 billion, including \$19.9 billion in the state's foreign exchange reserve and \$20.06 billion in the Bank of China, up by \$8.81 billion and \$2.56 billion respectively from the previous year. The increase in foreign exchange reserve is a result of improving the economic environment and rectifying the economic order in the past three years and a sign of economic development. At present, China's foreign exchange reserve is still in a rising trend. But, is more foreign exchange reserve better? How much foreign exchange reserve is suitable for a big developing country like ours? For answers, the reporter paid a visit recently to Professor Wu Nianlu, director of the Bank of China's International Financial Research Institute.

Is more foreign exchange reserve better?

[Gao] Is the present level of China's foreign exchange reserve too high? What is a suitable level?

[Wu] In China, foreign exchange reserve can also be called foreign exchange balance. According to general international standards, a country's foreign exchange reserve should be enough to meet payments for three months worth of imports. Last year, China's imports totaled \$67.39 billion, and according to this standard, its foreign exchange reserve should be maintained at about \$15 billion. As of the end of September last year, our state foreign exchange reserve totaled \$19.9 billion, which looked like a little too much but actually was not. Because China has a foreign exchange retention system, a certain proportion of the state's foreign exchange reserve is already designated for use by local governments, departments, and enterprises. As of the end of 1990, China's outstanding foreign debts stood at \$52.5 billion, and the servicing of these debts had hit a peak. China's foreign exchange reserve is tied to import and

export receipts and payments. It actually appears not in the form of "funds," but as the final balance between imports and exports, and it changes as imports and exports change. Therefore, in order to maintain China's international position and reputation and support its foreign trade and economic activities, the present level of foreign exchange reserve is suitable and not too much.

It should be pointed out that China's foreign exchange reserve is earned mainly through commodity and service exports and settled in renminbi, which in turn increases the domestic money supply. In other words, the more the state's foreign exchange reserve grows, the more money the state has to put into circulation. And this part of money supply is not backed by appropriate quantities of goods and materials. Therefore, from an objective viewpoint, more foreign exchange reserve is not necessarily better.

Is the Bank of China's foreign exchange reserve the same as the state's foreign exchange reserve?

[Gao] What is the difference between the Bank of China's foreign exchange balance and the state's foreign exchange balance?

[Wu] The state's foreign exchange balance is foreign exchange earnings from commodity and service exports controlled by the state. It is the state's foreign exchange credit, which is used mainly to make trade and nontrade payments. With the development of China's reform and opening to the outside world, the state sometimes does not have enough foreign exchange to meet all external payments and has to get help from the Bank of China. For several times in the past few years, the state's foreign exchange reserve dropped precipitously, and each time the state was supported by foreign exchange from the Bank of China. The Bank of China's foreign exchange balance once rose to 90 percent of the country's foreign exchange reserve as a whole. The Bank of China is the country's main fund-raising channel from abroad and the major import and export account settling bank. At present, the Bank of China has a foreign exchange balance of \$20.06 billion, about half of China's present total foreign exchange reserve of \$39.96 billion. Both are used by the state as a means of payment in foreign trade.

However, the Bank of China's foreign exchange balance is different from that of the state. Besides the bank's own foreign exchange funds, the former is mainly the balance of deposits by domestic and foreign customers minus domestic and foreign loans and investments. Actually, except for its own capital, the bank's foreign exchange balance is also its liabilities. Therefore, in the use of funds, the bank must consider not only the requirements for foreign exchange credits and investment activities, but also the requirements to supplement insufficient state foreign exchange reserve and to pay for state imports. These circumstances make it necessary for the Bank of China to exceed the normal ratio between liabilities and assets generally observed by commercial banks of the West. At the same time, they also show that

the Bank of China is different in nature from the Western commercial banks in general. It also performs policy functions assigned by the state and assists the central bank in managing the state's foreign exchange reserve.

Keep reserves in different currencies to reduce risks from fluctuating exchange rates.

[Gao] With so much foreign exchange reserve, how can we avoid risks and guarantee import payments? In other words, how can we properly manage and actively use these tens of billions of dollars in foreign exchange reserve?

[Wu] The state's foreign exchange balance represents the state's external credit, which is used mainly to pay for commodity imports. It is managed as state assets by the Bank of China under authorization by the People's Bank of China. The principle for its management is to preserve value and not to make profit. The state's foreign exchange reserve should include a number of different currencies to reduce the risks from the fluctuation of exchange rates. The proportion of each currency in the reserve is determined by the amount of it needed to pay for commodity imports. In choosing ways to keep the reserve currencies, consideration should be given to their rate of returns as well as their liquidity and safety. Close attention should be paid to the trend of exchange rate fluctuations to readjust the proportions of the different reserve currencies whenever necessary.

At present, as the state's foreign exchange reserve is growing continuously, the state, besides paying for normal imports, should set aside an appropriate portion to support the import of technologies and technological transformation of the large- and medium-sized enterprises. The state should adopt a preferential policy for the use of this portion of foreign exchange funds, including favorable terms for buying foreign exchange and equipment with renminbi, the supply of foreign exchange, interest rates, and so forth.

Try to make good use of the people's foreign currency deposits.

[Gao] It is said that the people's domestic foreign currency deposits now total more than \$4 billion. How are these deposits structured, and how can they be put to good use?

[Wu] The people's domestic foreign currency deposits are a very valuable source of construction funds for the country. As of the end of 1991, the people's foreign currency deposits in the Bank of China totaled \$4.42 billion, and there are also deposits in other specialized banks.

It is known that most of the \$4.42 billion are in three-month and six-month U.S. dollar deposits, and the proportion of one-year, two-year, and longer time deposits is very small. The main reason is that the interest rates of the Bank of China's six foreign currency

deposits are set and adjusted according to the current interest rates in those countries and interest rates in the international financial markets. But the people in general are unfamiliar with the international markets, and they are afraid that they may suffer losses when interest rates are readjusted from time to time. Therefore, most deposits are for short terms. At present, interest rates on U.S. dollar deposits have fallen to the lowest level in 27 years, only 3.5625 percent on three-month deposits. Because of the low interest rates, many people have taken out their deposits, converted them into renminbi in the foreign exchange regulatory market, and invested in bonds.

In order to make good use of these foreign currencies, it is suggested that three-year, five-year, and seven-year large-amount U.S. dollar certificates of deposits or bonds be issued in the country, with interest rates slightly higher than regular deposits for similar terms, to turn the short-term funds into long-term capital to be used in improving the large- and medium-sized enterprises. The selection of projects should be in keeping with the industrial policy. Projects should not be limited to export enterprises, so long as they can produce good economic returns. Profits in renminbi should be permitted to be converted into foreign currencies at the foreign exchange regulatory market to repay loans. In approving these tasks, the relevant departments should pay attention to macrocontrol. Experiments should be carried out by the Bank of China. Efforts should be made to prevent precipitate and blind competition.

INDUSTRY

Closer Textile Relations With Brazil Explored

92SM0324Z *Brasilia CORREIO BRAZILIENSE*
in Portuguese 23 Feb 92 p 16

[Article by Lidia de Santana]

[Text] Sao Paulo—For the purpose of familiarizing itself with the Brazilian potential for future deals in the textile industry, a trade delegation from the PRC visited Sao Paulo this week under the leadership of Vice Minister Ji Guobiao of the Chinese Ministry of Textile Industry. Ji visited factories, associations, and businessmen associated with that sector in Sao Paulo.

This was the Chinese Government's first official visit for the specific purpose of clearing the way for partnerships and developing closer relations in the textile industry between Brazil and China. The visit is taking place at a critical moment for the Brazilian textile industry, which is being hit by layoffs and factory closings.

After spending a week in Sao Paulo, Minister Ji stressed the importance of the Brazilian textile industry and its willingness to form joint ventures. No deals were closed in this first contact, but in Ji's opinion, the possibilities for future deals are good. He feels that Brazil and China possess economies which can complement each other.

"Brazil is strong in garment making, and China is strong in the manufacture of raw material. One example is Chinese silk, a product which has two-thirds of the world market," he said.

The Chinese showed considerable interest in Brazilian design, which is more modern than Chinese design and more sought after in markets such as those in Europe and the United States. The idea is to combine Chinese experience in cloth manufacture with Brazilian experience in creativity and style in connection with garment making, said Ji.

Technology. The secretary of science and technology in Sao Paulo State, Luiz Carlos Delben Leite, met with the Chinese delegation last Thursday. According to the secretary, "there is great interest in exchanging technological know-how with the Chinese." For his part, Minister Ji said that during his visit, he had found that Brazil was paying attention to modernization and introducing new technologies in old factories.

According to the minister, China is interested in bringing its looms to Brazil. That statement by the minister is a welcome response to the situation in the textile industry, to which attention has been drawn by workers and owners in that sector. In the opinion of Luciano Domiano, adviser to the Union of Textile Industry Workers of Americana (Brazil's largest textile center), the region's firms use an archaic production system and the owners are not investing in modernization. The owners respond to the criticism by pointing to the difficulties and the lack of domestic investment for growth in the industry.

According to Minister Ji, the Chinese textile industry is growing, with annual exports of \$13 billion and imports of \$3 billion. The Chinese import about \$2 billion worth of artificial fibers and \$1 billion worth of machinery for the sector annually. According to Cortopassi, that situation proves that the problem in the Brazilian textile industry is not simply a matter of technology and that its solution depends mainly upon the modernization of business management.

SMALL-SCALE ENTERPRISES

Township Enterprise Efficiency, Output Grows

92CE02914 *Hong Kong LIAOWANG [OUTLOOK]*
OVERSEAS EDITION in Chinese No 1, 6 Jan 92
pp 16-17

[Article by Zhang Zhichu (11728 2535 2806) "China's Township Enterprises Grow in Output Value and Benefits"]

[Text] At the end of 1991, the good news came from China's rural areas that value of township enterprise output had exceeded the 1,000 billion yuan mark and realizing growth in both value of output and benefits. It is estimated that the gross value of national township enterprise output will reach 1,117.9 billion yuan, an

increase of 18.17 percent over the previous year. Of this amount, the gross value of industrial output reached 882.2 billion yuan, an increase of 20.26 percent. Income from sales, taxes and profits paid to the state and delivery of export goods grew 16.4 percent, 12.8 percent and 24 percent, respectively.

The above figures show that through improvement and rectification, China's township enterprises have finally won an appropriate rate of growth in the year of the sheep when the economic situation was grim and at the same time efficiencies also increased.

Taking Up the Historical Mission

The rapid growth of China's township enterprises is almost synchronous with rural reforms. Due to the high tide of peasant zeal after the introduction of the household contract responsibility, production efficiencies increased constantly and a large part of the rural excess labor force had to move and from the day they rose up abruptly, township enterprises assumed the historical mission of this "shift." Several years of practice had shown that the development of township enterprises could make the excess rural labor force move out, develop new nonagricultural industries and increase economic efficiencies, otherwise it would create enormous waste of rural manpower resources. According to an analysis done by Zhang Yi (1728 3013), Deputy Director of the Ministry of Agriculture's Township Enterprise Bureau, in the three years from 1986 to 1990, the growth in the value of township enterprise production nationwide averaged about 38 percent annually. These three years were those of the greatest "shift" of the excess rural labor force, with arrangements made for an average of 8.5 million persons annually. In the two years after that, the increase in the value of production declined: 1989 growth was 19 percent and 1.78 million township enterprise personnel returned to agriculture; 1990 growth was 14 percent and 1.02 million personnel returned to agriculture. It was in these two years that the assault of government project workers and the homeless ("mangliu 4139 3177) on some cities and regions became a major social problem that caught people's attention. At the same time, nonagricultural income as a proportion of the overall peasant income declined annually: 1988 growth rate was 17.8 percent, 1989 growth rate was 10.4 percent and 1990 growth rate was only 4.7 percent. In 1991, the appropriate growth rate in township enterprise nationwide in 1991 checked the tendency of personnel to return to agriculture and with the increase in efficiencies, it is estimated that the proportion of nonagricultural income in the overall peasant income will increase.

It is clear that the motivation for township enterprise to maintain a certain growth rate was the inherent demands of the rural society and economy. Thus, in analyzing the issue of the speed of township enterprises we should look both at the economic efficiencies brought on by the rate as well as the other broader social efficiencies.

From the day they were born, China's township enterprises have stressed economic efficiencies. Almost all township enterprises developed from small to large and

from low level to high level by the peasants putting up their own capital (including a considerable amount of common accumulation and individual pooling of resources and savings), making their own homes available (or collectively building new plants) and having their own families participate in labor. If they were not interested in efficiencies and didn't earn money, the peasants wouldn't become well off. Under very difficult environments, especially under conditions of tight money, for survival and common enrichment they still worked hard to maintain a certain rate and carried out self-readjustment striving for self-accumulation and to expand production. As we understand it, of the more than 200 billion yuan in loans that banks supplied to industrial enterprises, loans to township enterprises amounted to only 5 billion yuan, or 2.5 percent. It is worth mentioning that since May 1991, over 20 provinces and municipalities nationwide have suffered disasters. Direct losses to township enterprises have been 6 billion yuan which has impacted the value of production by 15 billion yuan and total indirect losses have been about 30 billion yuan. Through unswerving struggle to restore production in the last half of the year, year-end losses were only 5 percent. Simultaneously with synchronous increases in speed and efficiency, township enterprises have absorbed millions of the excess rural labor force so that employment has been maintained at over 90 million.

New Policies Devoted To Enriching the People

In 1991, in developing township enterprises, local governments formulated a series of new measures favorable to structural readjustment and adopted new measures favorable to improving economic efficiencies, which encouraged and supported the development of township enterprises.

In improvement and rectification, local governments recognized that township enterprises, this new force that came to the fore in the eighties, was full of vitality and had considerable economic power and had also become an important cornerstone of the rural economy and a pillar supporting local finance. According to materials provided by local areas, township enterprises nationwide had created collective assets of 280 billion yuan, accounting for about 85 percent of all rural collective property; collective and peasant cooperative enterprises accounted for over 60 percent of the total number of township enterprise employees. This showed that rural enterprises that were mainly collectives had become a new force that could not be ignored. Many local areas depended on township enterprises for building construction and for social undertakings. Township enterprises supported development of such things as agricultural investment, education and medicine and public health. Township enterprises provided a significant portion of administrative expenditures and managerial expenses.

According to statistics, in the 10 year period from 1981 to 1990, the total investment by township enterprises in

rural construction and agriculture reached over 70 billion yuan and the wages paid to township enterprise employees alone reached 500 billion yuan. According to statistics, one-third of the rural per capita income comes from township enterprises.

No other type of enterprise can replace the position occupied and the role played by township enterprises in China's rural areas. In their work, many local cadres understand keenly that an important reason for the relative stability of the rural economy and society in the past few years is the steady growth of township enterprises. The material benefits in coastal areas where township enterprises are well developed are even greater. Between 70 and 80 percent of the local revenue in these provinces and municipalities actually comes from township enterprises and local governments also place great stress on maintaining the growth rate and efficiencies of township enterprises. In 1991 the growth of township enterprises in such provinces and municipalities as Zhejiang, Gansu, Nei Menggu, Guangxi, Shanghai, Shandong, and Beijing was very fast. The increase in gross value of output and efficiencies exceeded the average increase nationwide. It is because of the rapid growth of township enterprises that in spite of natural disasters, the peasant income in some local areas is still above national levels. All areas where township enterprises are developed, the overall strength of agriculture is strong, society is stable and some have begun to enter the category of "comparatively well-off" and are on the road to common prosperity.

A More Flexible Operational Mechanism

It is not only agriculture, the peasants and the rural areas that benefit materially from township enterprises, but actually the cities, city-dwellers and the nation benefit greatly.

A scholar from outside the capital comes to Beijing every year and wanders around in state run markets conducting a little survey. He has discovered that over half of the various kinds of goods on the shelves that dazzle the eyes are produced by township enterprises and that the variety is increasing, the grade is increasing and the quality is getting better. From materials provided by relevant departments one can see that by the end of 1990, township enterprises accounted for 80 percent of the gross output of light industries that are so intimately related to the people's daily life. Ceramics for daily use and manufactures made of bamboo, rattan, palm, and grass are basically the province of township enterprises, and 70 percent of clothing products are also from township enterprises. Actually, township enterprises also account for a considerable proportion of some important products connected with the national economy and the people's livelihood, for example, 33.1 percent of raw coal, 28.4 percent of cement, 39.4 percent of machine-made paper and cardboard and 80-90 percent of agricultural implements and bricks and tile, the addition of these products of township enterprise provides an effective supply for national markets. How can township

enterprises create such enormous social wealth in a short ten years? Foreign and domestic academic specialists and some actual workers discussed this in depth. When discussing the township enterprise situation in 1991, the famous social scientist Fei Xiaotong told reporters that this wealth was created by the large excess labor force that was squandered on limited land. However, it's not enough to liberate this labor force. Some flexible operating system is needed to develop production and create even more wealth. In 10 short years China changed a labor force of nearly 100 million to a productive force but the state cannot have the enormous financial resources necessary to invest in so many plants, even less can it "drive" a labor force numbering in the 100 millions into the cities to work. Based on our national circumstances, spurred on by reform and relaxation, peasants in local areas gradually have taken the path of running enterprises. They rely on family accumulation and start running rural industries themselves, first of all carrying out "combination of industry and agriculture" in the family, engaging in both industry and agriculture thus the excess rural labor force can come in contact with new labor tools—machines—and mastering advanced industrial technology become a new productive force.

In 10 years, nearly 100 million producers entered township enterprises and while leaving the land but not the community, put one foot into the sea of commodity economy and were tempered in the domestic and international markets. Also, because what township enterprises carried out is the unique and flexible mechanism of "diligence can advance or retreat, cadres can be promoted or demoted, distribution can be more or less" the practice of everyone eating from the same pot and the iron armchair were smashed. The initiative, cleverness and wisdom of managers and producers were fully mobilized and employed creating a labor productivity rate much higher than ordinary enterprises owned by the whole people so that the position of township enterprises in the entire national economy became more and more important. According to statistics, starting in 1985 the gross value of production of township enterprises and the gross value of industrial production increased on average annually increased 23 percent and 26.4 percent, and the taxes provided to the government increased on average 15.4 percent annually. By 1990, the gross value of production of township enterprises was one-fourth the gross value of production of the national economy, and the gross value of industrial production was one-third of the gross value of national industrial production. Yet the net increase of the gross value of national industrial production is 57 percent while the net increase in the gross value of rural society nationwide is 87 percent, 52 percent of the net increase in state revenues comes from township enterprises, which is a contribution to strengthening China's economic power.

In the past few years, in improvement and rectification, while carrying out in-depth reform in such areas as improving diligence, distribution and managerial mechanisms, township enterprises have also made achievements in improving the level of management and putting

effort into technological progress. Township enterprise technological improvement projects have increased year by year and include technology that is of a high level, has high value, and the proportion of low consumption products that are "high, precise, and top-notch" and at the same time have imported some new technologies, new processes and new scientific and technological results and specialized technologies. Management has also begun to become standardized and more scientific and some mainstay enterprises that have the latest equipment, are technologically advanced and are of some scale have appeared. Some localities have formed enterprise blocks with these enterprises as the main body and increased the ability to withstand attacks in the domestic and foreign markets to grow even more. In 1991, the unity of township enterprise rates and benefits was built on this rather solid foundation. Although township enterprises in the eyes of some people are "neither fish nor fowl, neither urban nor rural" for the single-minded pursuit of modern science and technology along with a flexible operating mechanism the pace of scientific and technological progress must be extremely well-founded and nimble.

The situation in China's township enterprises in 1991 is encouraging. Some departments think that this rate of growth still represents recovery and that there is still room to improve efficiencies. If township enterprises can make more efforts in scientific management and technological transformation, their value of production and efficiencies will look even better.

LABOR

Heilongjiang Approves Unemployment Insurance Plan

SK1203141892 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 10 Mar 92

[Text] The Heilongjiang Province plan for deepening reform of the insurance system for former workers of state enterprises waiting for new jobs was recently approved by the provincial government and issued to the lower levels for implementation in various localities.

The insurance system for workers waiting for new jobs is an important component of the social welfare benefit system. Nearly 4 million workers in more than 16,300 state enterprises across the province have joined this unemployment insurance program.

The basic content of the provincial government-approved plan on deepening the reform of the insurance system for workers waiting for new jobs includes:

1. Expand the scope of the unemployment insurance system and gradually spread this system from the present stage of partial implementation among some of the state enterprise workers to all workers.

2. Expand the number of workers requiring relief and include workers who have been streamlined from enterprises that have been approved to implement the insurance system for workers waiting for new jobs and have paid the unemployment insurance funds, workers who have ended their labor contracts in enterprises implementing the all-member labor contract system, and workers whose names have been removed from the payroll in accordance with the workers' award and punishment regulations of enterprises to the list of workers enjoying relief.

3. Increase the sources of unemployment insurance funds, and implement the principle of pooling insurance funds for unemployed workers from the state, enterprises, and workers. Beginning this year, the collection of enterprise unemployment insurance funds will be changed from taking 1 percent of the standard wages of workers to taking 1 percent from the total wages of workers. Each worker should pay a monthly insurance fee of one yuan, which will be collected by the units to which the workers belong when they issue wages to them. The shortage of unemployment insurance funds will be subsidized by the local financial departments.

4. Make good and flexible use of the unemployment insurance funds. Such funds will be used for helping unemployed workers provide for and help themselves by engaging in production and for opening up new employment avenues.

5. Collective enterprises should conduct unemployment insurance pilot work in selected units, sum up experience, and gradually spread the work to other localities.

In the course of approving and transmitting to the lower levels the Heilongjiang Province plan for deepening the reform of the insurance system for former workers of state enterprises waiting for new jobs, the provincial government called on all localities to include the reform of the unemployment insurance system on their agenda, strengthen leadership, and implement it well.

The suggestion on the implementation of the Heilongjiang Province plan for deepening reform of the insurance system for former workers of state enterprises waiting for new jobs proposed by the provincial Labor Bureau was also approved by the provincial government and issued to all localities across the province.

AGRICULTURE

Report Views Losses in 'Year of Disasters'

HK2303063192 Beijing CHINA DAILY in English 25 Mar 92 p 1

[By staff reporter: "Natural Disasters Set Record Last Year"]

[Text] Despite remarkable government relief efforts in 1991, China still experienced "a year of disasters" as the

total damages from disasters reached billions of dollars, the highest level in 42 years.

During the past year's devastating summer floods, persistent drought in autumn and winter, destructive typhoons and heavy hailstorms, a total of 7,300 people were killed and 13 million residents either evacuated or resettled in emergency relief efforts.

According to the final verified report on 1991 disasters released by the Ministry of Civil Affairs yesterday, more than 400 million people were affected by the disasters, 70 percent of them, or 280 million, suffering from heavy property losses.

The natural calamities hit a record 830 million mu (55.3 million hectares) of farmland, or more than half of China's total, cut down the yields in 410 million mu (27.3 million hectares) by at least 30 percent and completely destroyed crops in 34 million mu (5.6 million hectares).

Meanwhile, more than 5.8 million rooms collapsed and over 11.2 million others were seriously damaged.

This, ministry officials said, and the losses from damaged and destroyed mines, enterprises, communication

and transportation facilities, schools and other projects, brought the total direct economic losses to a record 121.5 billion yuan (\$22.5 billion), the worst in the government's 42-year history.

To fight against these disasters, China has earmarked more than 20 billion yuan (\$3.7 billion) for relief and rescue efforts through various channels at all levels except the 2.3 billion yuan (\$425 million) worth of donation from domestic and overseas sources. [sentence as published]

China's Anhui and Jiangsu provinces were listed as the disasters' hardest hit provinces, followed by the provinces of Hubei, Henan, Sichuan, Shanxi, Shaanxi, and parts of Heilongjiang and Jilin in the Northeast, Guizhou in the Southwest, Zhejiang in the east and Guangdong in the south.

The 1991 summer floods ravaged more than two-thirds of China's provinces, claimed 5,113 lives, flooded over 210 million mu (14 million hectares) of crops and ruined the harvest in more than 48 million mu (3.2 million hectares) of them, causing about 5 million rooms to collapse and destroying nearly 800 million yuan (\$148.2 million) in property.

Law Enforcement Officers Must Be Law-Abiding

92CM02234 Changsha FAZHI YUEKAN [LEGAL SYSTEM MONTHLY] in Chinese No 125, 5 Feb 92
p 1

[Article by Fu Geng (1788 5087): "Law Enforcement Officers Must Take the Lead in Observing the Law"]

[Excerpt] [passage omitted] The past few years have seen frequent law violations by law enforcement personnel. For example, some public security police have extorted confessions by torture or beaten up and swore at the masses. Some judicial personnel have taken bribes and twisted the law. Some tax personnel have embezzled tax receipts. Some industrial and commercial administrative cadres, after receiving bribes, have illegally issued permits for setting up stalls... The above phenomenon leave a very bad impression on the masses. Therefore, what originally was not a problem has become a serious problem.

The law is a code of conduct. Once a law is enacted, it must be observed. That is, "every law must be observed." The purpose of the campaign we have carried out over the past six years to spread legal knowledge among all people is to enable every citizen to understand and observe the law. Those enforcing the law for the state should not only conscientiously abide by the law, but also publicize the law among other citizens, and use it to correct law violations by other citizens. If law enforcement personnel do not abide by the law but take the lead in breaking the law, it will be impossible to persuade other citizens to observe the law.

Why do law enforcement personnel break the law? Mainly because they have "vermin" in their minds, which causes them to style themselves as officers whose job is to "govern people." They are unaware that in our country every law enforcement officer, like all other state cadres, is a servant of the people, not an "overlord." They believe that since they are law enforcement officers, others can only "bow to them" and "obey their orders." Because of this thinking, they do as they please, while requiring others to be law-abiding, they themselves wantonly trample the law.

Law enforcement personnel should, of course, have a good grasp of the law and be versed in legal matters. At present, however, some of our law enforcement personnel have no legal knowledge. Some only know the law of their own departments, but have no knowledge of the

laws in other fields. Others even lack a thorough understanding of the law in their own departments. They either consult the book to get a last-minute makeup in time of need or simply carry out their law enforcement duty as they see fit. Since they are enforcing the law that they do not understand, they are, of course, liable to act against the law.

Success or failure in implementing the law depends to a great extent on whether "the law is strictly enforced." If law enforcement personnel are not law-abiding, it will be impossible to ensure that "every law is observed" and "every law is strictly enforced." To thoroughly correct this problem, Shanxi Province last year launched a rectification campaign, which covered all law enforcement departments, including public security, procuratorial, legal affairs, judicial organs, industrial and commercial administration, taxation, price, land, environmental protection, public health and epidemic prevention, and urban construction departments. Hunan Province also conducted similar rectification of its public security, procuratorial, legal affairs, and judicial organs. Through rectification, they discovered the problems, dealt with police who violate the law, and raised the ideological level and work efficiency of the vast number of law enforcement personnel. Practical experience has shown that such rectification is absolutely necessary.

Only by taking the lead in observing the law, can law enforcement personnel justifiably oversee others in abiding by the law. To take the lead in observing the law, they must, in the first place, study and understand the law. For historical reasons, most law enforcement personnel in our country have not been formally educated in law schools. The overwhelming majority of them acquired their legal knowledge either through self-study or by attending adult schools of higher learning. This, plus what they have learned in practical work, has enabled them to grasp the law pretty well. However, there are some law enforcement personnel who have never studied law, but become conceited and refuse to learn after taking a law enforcement job. So far, their legal knowledge is so scanty that they lack an adequate understanding of the law they are enforcing. To thoroughly change this state of affairs, law enforcement personnel should apply themselves to study on their own initiative. In addition, the adult educational program conducted by law enforcement departments should shift emphasis to the training and intellectual reeducation of incumbent cadres to help these law enforcement personnel enrich their legal knowledge and prompt them to study, understand, observe, and properly enforce the law. [passage omitted]

Military Cooperation With Middle East

92AE0191Z London AL-HAYAH in Arabic 16 Jan 92
p 8

[Article: "Military Cooperation Relations Between China, Middle East, in Light of New World Order"]

[Text] Until the recent past, it was impossible to consider China as one of the main arms exporters to the Middle East region. On the contrary, its role in this field throughout the sixties and seventies—and even into the mid-eighties—was no more, in practice, than that of a secondary exporter to certain countries of the region, which usually obtained relatively small quantities of generally out-dated arms and equipment of limited effectiveness.

The reason for that relates to Chinese weapons themselves and to political and strategic factors, which were marked by the system of alliances and regional relations in the Middle East at the time.

On the political and strategic level, the countries of the region did not need to obtain their armament requirements from China, with the exception of a few types of weapons of no real strategic value, since the nature of the polarized international situation that characterized world relations and alliances throughout the period after World War II held true, in turn, for the Middle East. This simply meant that the nations of this region were inclined to obtain weapons either from the United States and the principle European arms producers like Britain and France, if they were "Western" in approach and orientation; or from the Soviet Union and the countries of the Socialist bloc in Eastern Europe, if the governments of those Arab, Middle Eastern countries were linked by friendly relations or alliance with the Soviet Socialist camp.

Copies of Old Weapons

On the purely military level, the Chinese arms industry was not modern or developed enough to be able to compete with the principle arms industries in the United States, Soviet Union, and Western Europe. On the contrary, the Chinese industry for decades was—and still is even now, to a lesser degree—limited to producing copies, either totally similar or locally partially modified, of old Soviet weapons and equipment whose development and production roots go back to the fifties and sometimes to the forties. This is a nearly complete picture for various kinds of principle weapons, such as tanks, armored cars, combat airplanes, missiles, and field artillery; and also, to differing degrees, for other remaining support weapons and ammunition.

The main type of Chinese-made combat tanks for the past quarter-century, the Type-59, or T-59 as it is also known, was merely a copy of the Soviet T-54 tank that the Soviet Army first used in the early fifties. While the Soviet tank industry went on through the seventies and eighties to produce the more advanced and effective

models—the T-72, T-74, and T-80—and then exported these tanks widely to allied and friendly countries throughout the world, Chinese tank production, at the same time, advanced to the T-69, which was no more than an improved version of the T-59. In practice, this model was equal in capabilities and technology to the improved models of the Soviet T-54 tank, which was the T-55, put into service in the middle fifties.

This same matter holds true, for example, for the fighter and bomber aircraft industry in China. The principle fighter model in the Chinese Air Corps continued for several decades to be, and still is, to a considerable degree now, the Jian-6. This is also known as the F-6, and it is merely a copy of the Soviet MiG-19, which was produced during the fifties and was phased out of active Soviet service in the mid-seventies. While the Soviets subsequently produced whole families of interceptors, and attack and multi-purpose aircraft, such as the MiG-23, MiG-25, MiG-27, Sukhoi-7, Sukhoi-17, Sukhoi-20/22, Sukhoi-24, etc., up to the present generation of advanced Soviet aircraft—like the MiG-29, MiG-31, and Sukhoi-27—the Chinese aircraft industry is still totally committed to production of the Jian-7, or F-7, as it is also known, which is nothing more than a copy of the Soviet MiG-21 fighter. To be precise, the first models of the F-7 began to appear in the late fifties and early sixties, but the main fighter aircraft that China currently is exhibiting in world markets is the F-7M Airguard. This is an improved version of the F-7, that is, of a Soviet aircraft whose technological roots go back to the fifties.

Suitable Source

All this does not mean that Chinese arms are useless for foreign markets, or that China was not a source to turn to, as needed, by countries who were facing difficulties in obtaining weapons from the principal international sources. Indeed, this was precisely the role that China played in exporting military weapons and equipment to Third World countries and to the Middle East throughout the sixties, seventies, and most of the eighties. China was a suitable source for cheaply-priced and relatively uncomplicated weapons for countries whose political, military, or financial considerations precluded them from obtaining their defensive requirements directly from one of the two superpowers or from the principal Western European nations. In addition, China, during the past few years, emerged in another, considerably more important and politically and strategically sensitive role. This is manifested by China's willingness—openly, tacitly, or covertly—to export specific types of weapons, and military technological expertise associated with specific offensive and strategic fields, to countries or regions that the main arms-exporting countries in the world wanted to keep free of such weapons.

Perhaps this new role is the reason behind the significant increase in recent regional and international interest in Chinese policy on exporting arms and military equipment to Third World areas, especially the Middle East.

Moreover, it is undoubtedly considered one of the basic factors that must be dealt with in current attempts to put controls and restrictions on regional arms races, particularly those connected with weapons of mass destruction.

At the present time, there is a considerable amount of criticism from international defense and diplomatic circles, particularly in the United States, against China's policies on exporting weapons and military expertise to the Third World, and more precisely, to the Middle East. Certain aspects of this criticism might have some justification, but some of it merely stems from considerations that are difficult to believe are really based on an international desire to curb the proliferation of weapons, particularly weapons of mass destruction. In any event, China totally rejects this criticism. In various official responses to it, China concentrates on the fact that it does not pursue military cooperation with the outside world unless it is pursued and, even now, there are still other industrial arms-exporting nations in the world.

The Chinese Reply

In this Chinese response to international criticism against it, there is a basic aspect of truth. Ultimately, China's export of weapons and military and technological services is not radically different from that of the United States, Soviet Union, or other nations like France and Britain, which are completely prepared to export them to allied and friendly nations in the world. However, the difference here lies in two main points. (1) On the one hand, there is a strategic consideration, represented in what has become known as the new world order, which has begun to mark international relations since the collapse of the Soviet Union and the Socialist camp. Clearly, China has not yet decided to enter this new order or be committed to its principles. From this point of departure, one could say that China is still following its foreign arms policies in a manner that, in its considerations and motives, goes back to the old international polarization situation that existed before, but is no longer compatible with strategic situations that characterize international relations now. (2) On the other hand, Chinese foreign armament policy, especially in the Middle East, is marked by its reliance—perhaps more than necessary—on commercial factors, represented by the desire to obtain the hard currency from arms export deals and trade, military, and technological cooperation agreements, even if at the expense of the standards of balance of power and the need to maintain elements of stability, particularly in areas and regions marked by political and military instability. The result of such directions in Chinese arms-export policies is usually China's agreement to provide specific countries with "sensitive" equipment and services which, it could be supposed, those countries would have considerable difficulty in obtaining from other international sources, or to provide those countries with "traditional" arms and equipment when the main international powers probably do not want those countries to obtain material that

would guarantee strengthening their military capabilities. This could be due to any number of political and strategic considerations. Naturally, we can see here certain elements that would anger and upset the international community and would impel the community to try to get Beijing to change this direction. The latest attempts, and possibly the most important, were those recently made by U.S. Secretary of State James Baker with the Chinese leadership during his official visit to Beijing. The purpose was to persuade China to refrain from exporting offensive weapons, such as surface-to-surface ballistic missiles and technological cooperation services in the field of developing chemical, biological, and nuclear weapons of mass destruction to Middle East countries, and to cooperate with the United States and Soviet Union to end the spread of these arms and technologies in that region. However, so far there has been nothing to indicate that the American Secretary of State was successful in his efforts, despite the fact that Beijing may have advised the United States of its agreement—at least in principle—to reduce its exports of "sensitive" weapons, such as medium-range surface-to-surface missiles, to the Middle East, if that were to be done by means of a general comprehensive international agreement not to export such weapons to the region.

China in the Middle East

Since the early eighties, China's importance as an arms-exporter to the Middle East has increased considerably. The credit for this can basically be attributed to the Iran-Iraq War, during which Beijing played a principal role in supplying both sides equally with large quantities of arms and materiel that they then needed. However, the escalation of the Chinese role began, in practice, before that, through Egypt, which turned China into an important source of military equipment during the second half of the seventies.

With the deterioration of Egyptian-Soviet relations, and Cairo's raising the banner of "diversification of arms sources" during late president Anwar al-Sadat's regime, the Egyptian [armed] forces experienced an acute problem. This was represented by the cutoff of Soviet weapons, along with the spare parts, maintenance, and ammunition required for them. The armed forces could not immediately replace the Soviet-made arms in their inventory with other Western arms, or at least with sufficient quantities of new Western arms, because of political and economic considerations.

Therefore, during the second half of the seventies, Egypt found in China a very suitable source. It was evident that the Egyptian forces could obtain much of the spare parts and ammunition required for its Soviet arms, in the form of Chinese weapons, which were basically copies of that Soviet equipment. Moreover, China began to provide Egypt with weapons in quantities that were guaranteed to compensate for the shortfall in Egypt's inability to obtain modern Western or Soviet arms. At the same time, China was prepared to join Egypt in a program of military production cooperation to manufacture Chinese

weapons locally. This was one of the goals of Egypt's military and industrial strategy.

For several years, the Egyptian armed forces obtained important quantities of Chinese-made weapons, all of which were of Soviet design and relatively old models, in comparison to the Western and Soviet camps' accomplishments at that time. However, despite that, Egypt was fulfilling its desired objective by obtaining weapons during this transitional period. The most important weapons included:

- F-6 (MiG-19) and later the F-7 (MiG-21) fighter plane, which Egyptian factories assembled locally for both the Egyptian and Iraqi Air Forces;
- HQ-2 (SAM-2) and HN-5 (SAM-7) anti-aircraft missiles;
- T-33 (Romeo-class) submarines of Soviet origin;
- Jianghu-class destroyers and Hugu (Komar) missile boats;
- Shanghai and Hounan class gunboats;
- Hai Ying-2 surface-to-surface anti-ship missiles, known as Silkworms, (which is a copy of the Soviet Styx missile).

The Iran-Iraq War

Immediately after the outbreak of the Iran-Iraq War, and because of the difficulties that both sides of the conflict faced in obtaining combat requirements from the "usual" world sources, both East and West (for Iran, throughout all stages of the war, and during at least part of it for Iraq), China furnished both of them with weapons on a wide scale.

In fact, China's role was decisive in enabling Iran to continue to wage war during a stage in which the Iranian forces reached a very critical point. The Iranian forces were unable to operate the Western and—more precisely—American weapons in its inventory. There was a lack of necessary spare parts, maintenance, and ammunition because of the international embargo imposed upon this materiel. The result was Tehran's increased dependence on Beijing as a main source of weapons and equipment, including T-59 tanks, armored cars, field artillery, missile launchers, anti-aircraft weapons, and ammunition of all types, in addition to F-6 (MiG-19) and F-7 (MiG-21) fighters, Silkworm surface-to-surface missiles, and surface-to-surface short-range Frog and medium-range Scud missiles.

The importance of China's entry into several production cooperation programs with Iran to develop certain types of weapons for local manufacture, especially surface-to-surface missiles, is the fact that Iran has continued to produce several types of them with the assistance of Chinese technical and manpower support.

Chinese arms exports to Iraq during its war with Iran were of no less importance than those received by Tehran, since, in the eighties, Beijing supplied the Iraqi forces with large quantities of T-59 and T-69 tanks,

armored cars, artillery, and F-6 (MiG-19) and F-7 (MiG-21) combat aircraft. The Iraqi Air Force obtained the latter after they were assembled in Egypt in cooperation with the Chinese aeronautics industry, in addition to the H-6 strategic bomber, which is a copy of the Soviet Tupolev-16 bomber.

In the second half of the eighties, China began to expand its military cooperation with Middle East countries. In accordance with an important agreement concluded with Saudi Arabia, China supplied it with strategic ballistic missiles (but with traditional high-explosive warheads, instead of the usual nuclear warheads). These were of the Dong Feng-3 type, or the CSS-2 type known as "Eastwind". This missile has a range of 3,600 km and, consequently, is the longest-range ground-to-ground missile currently in the Middle East region.

New World Order

There are a large number of new types of weapons that China was able to develop and produce in the early- and mid-eighties. Some of these weapons are, for the first time, totally Chinese designed, instead of being mere copies of old Soviet weapons. Or, at least, they are advanced and modified versions of those weapons, such that they are considered weapons of Chinese origin and new in practice. Precisely speaking, China is making rapid efforts to market and export these weapons, especially to the Middle East, which has clearly begun to form Beijing's principle market for the export of its military production.

These weapons, for example, include the F-7M Airguard fighter, developed from the F-7, which originally was just a copy of the MiG-21. China is also currently producing complete families of armored cars, self-propelled and towed field artillery, air defense systems of missiles and anti-aircraft cannon, surface-to-surface and surface-to-air anti-ship missiles, surface-to-surface ballistic missiles, and various other types of miscellaneous arms and ammunition.

Iran is currently one of the Middle East's principle importers of arms from China, apart from Pakistan and North Korea, which traditionally were the two most important importers of Chinese military equipment for the past three decades.

The United States and Western nations are concerned over the Chinese efforts to sell such "traditional" weapons, if this expression is correct. However, they are more concerned about Beijing's increasing role in exporting offensive weapons and ammunition of a special nature or, at least, its unconditional willingness to export such arms and ammunition to Middle East and Third World countries. It could be presumed that it would be difficult, or even impossible, for these countries to obtain similar weapons from other world sources, in light of the new international situation that has existed since the end of the Cold War era and the collapse of the Socialist camp, with the elimination of the Soviet Union itself. What is precisely meant by that is the element

represented by weapons of mass destruction, such as surface-to-surface ballistic missiles, and the cooperation program relating to the development and production of chemical, biological, and even nuclear ammunition.

There are many examples cited by Western sources on this. Some of these are considered semi-confirmed, while others are not confirmable. Apart from the well-known evidence of Iran's obtaining Chinese-made surface-to-surface missiles and entering into several cooperation programs with Beijing to develop and manufacture these missiles locally, there is also the supposition of a cooperation program between those two parties in the nuclear field. There was also the presumed deal, which has generated much discussion and outcry during the past few months, by which China will possibly provide both Syria and Libya with new M-9 surface-to-surface missiles with a range of 600 km. Discussion about this deal goes back more than two years, but its outcome has not yet been officially confirmed. Information on this is still greatly contradictory. Some information confirms the fact that China has long been determined to carry this out, and some information indicates the possibility that Beijing will ultimately yield to American pressure and agree not to supply Damascus and Tripoli with these missiles. Added to all this is the increasing information currently being cited by Western defense sources about existing cooperation between China and Algeria in the nuclear field, although it is still considered under the framework of constructing reactors for peaceful purposes, despite the fact that any reactor of this type continues to be capable, at least in principle, of being used for military purposes when necessary.

China's Future Role

This is precisely the role that Western circles are currently asking about—whether China is determined to continue its role in the Third World and the Middle East. These circles have begun to accept that this is tantamount to a fait accompli. China certainly is evolving into one of the principle beneficiaries from the absence of the European Socialist bloc—more precisely, the Soviet Union—from the business of selling arms and military equipment to countries that, even in the recent past, were obtaining their arms from that bloc, and that still find it difficult to turn to Western sources to obtain their armament needs. This definitely holds true for several countries in the Middle East, such as Iran, Libya, Syria, Sudan, and probably even Iraq, in its present condition. However, the question here is how much China will continue to express willingness and desire, either out of purely material considerations or political and strategic considerations, to play the role of "arms salesman outside the new world order," by means of furnishing such nations with arms and military and technological services that they can no longer obtain from any other world source, especially if it concerns weapons of mass destruction and techniques of development and production of those weapons.

The answer to this question will, in the nature of things, depend on China's readiness to enter this new world order and be committed to the rules of the new international game. Perhaps the clearest example that might define the future Chinese role is the Middle East and the way China will relate to the countries of this region during the coming stage, especially if a comprehensive regional formula is achieved to insure the end of the arms race there and to eliminate weapons of mass destruction from that area.

In this way, the regional and international role that China will be defining for itself will emerge within the context of the new world order, which clearly will continue until further notice.

Main Chinese Arms Sales in the Middle East, 1970-1990

1. Egypt:

- 100 Jian-6 (MiG-19) fighter aircraft;
- 80 Jian-7 (MiG-21) fighter aircraft;
- 4 T-33 (Romeo) attack submarines;
- 2 Jianghu destroyers;
- 6 Hegu (Komar) missile boats;
- 8 Hunan gunboats;
- 4 Shanghai gunboats;
- Hai Ying-2 (CSS-2 Silkworm) surface-to-surface missiles;
- HN-5 (SAM-7) surface-to-air missiles;
- HQ-2 (SAM-2) surface-to-air missiles;
- PL-2 (Atoll) air-to-air missiles.

2. Iraq:

- 4 H-6 (Tupolev-16) strategic bombers;
- 80 Jian-6 (MiG-19) fighter aircraft;
- 60 Jian-7 (MiG-21) fighter aircraft;
- 1,500 T-59 and T-69 (T-54/55) main battle tanks;
- 500 YW-531 and T-77 (BTR-50) armored personnel carriers;
- T-59 (130 mm) and T-60 (122 mm) field guns;
- T-63 (107 mm) and T-81 (122 mm) missile launchers;
- T-55 (37 mm) and T-59 (57 mm) anti-aircraft guns;
- Hai Ying-2 (CSS-2 Silkworm) surface-to-surface missiles;
- C-601 air-to-surface missiles;
- PL-2 (Atoll) air-to-air missiles.

3. Iran:

- 18 Jian-6 (MiG-19) fighter aircraft;
- 18 Jian-7 (MiG-21) fighter aircraft;
- 600 T-59 (T-54) main battle tanks;
- 500 YW-531 and T-77 (BTR-50) armored personnel carriers;
- T-54 and T-60 (122 mm) and T-59 (130 mm) field guns;
- T-63 (107 mm) and T-81 (122 mm) missile launchers;
- anti-aircraft guns, anti-tank guns, and mortars of various calibers;
- Red Arrow (Sagger) anti-tank missiles;
- HN-5 (SAM-7) anti-aircraft missiles;
- HY-2 (SAM-2) anti-aircraft missiles;

- HQ-2 (CSS-2 Silkworm) surface-to-surface missiles;
- Frog and Scud surface-to-surface missiles.

4. Saudi Arabia:

- DF-3 (CSS-2 Eastwind) surface-to-surface missiles.

5. Syria:

- M-9 surface-to-surface missiles (delivery not yet confirmed)

6. Libya:

- M-9 surface-to-surface missiles (delivery not yet confirmed).

7. Sudan:

- 18 Jian-6 (MiG-19) fighter aircraft;
- 12 Jian-5 (MiG-17) fighter aircraft;
- 60 T-59 (T-54) main battle tanks;
- 80 T-62 light battle tanks;
- 200 YW-531 and T-56 (BT A-152) armored personnel carriers;
- 50 T-54 (122 mm) field guns;
- 30 T-59 (130 mm) field guns;
- 50 T-56 (85 mm) field guns;
- T-63 (107 mm) missile launchers;
- Red Arrow (Sagger) anti-tank missiles;
- Various types of anti-aircraft guns, anti-tank guns, and mortars;
- HN-5 (SAM-7) anti-aircraft missiles.

8. Tunisia:

- 2 Shanghai gunboats;
- T-55 (37 mm) and T-59 (57 mm) anti-aircraft guns;
- T-52 (75 mm) anti-tank guns;
- T-63 (107 mm) missile launchers.

9. Pakistan:

- 120 Jian-7M (F-7M Airguard) fighter aircraft;
- 24 Jian-6 (MiG-19) fighter aircraft;
- 14 Qiang-5 (A-5) attack aircraft;
- 40 Jian Jiang-5 (FT-5) combat trainer aircraft;
- 1,300 T-59 (T-54) main battle tanks;
- 200 T-69 (T-55 modified) main battle tanks;
- 500 YW-531 armored personnel carriers;
- 200 T-59 (130 mm) field guns;
- 200 T-60 (122 mm) field guns;
- 200 T-56 (85 mm) field guns;
- T-55 (37 mm) and T-59 (57 mm) anti-aircraft guns;
- T-52 (75 mm) anti-tank guns;
- Red Arrow (Sagger) anti-tank missiles;
- HN-5 (SAM-5[sic]) and HQ-2 (SAM-2) anti-aircraft missiles;
- HY-2 (CSS-2 Silkworm) surface-to-surface missiles;
- BN-2 (Atoll) and PL-5 air-to-air missiles;
- 4 Huangfen (Osa) missile boats;

- 4 Hegu (Komar) missile boats;
- 4 Huchuan torpedo boats;
- 4 Hanyan gunboats;
- 8 Shanghai gunboats.

New Weapons That China Is Trying To Market in the Middle East 1. Fighter aircraft:

- F-7M AIRGUARD is an advanced version of the MiG-21. Information indicates that negotiations are underway with Iran to supply 100 of these aircraft. There is also the possibility of sales to Arab countries such as Egypt and Sudan, and possibly Iraq, in the event the arms blockade is lifted.
- The Qiang-5 (A-5) attack aircraft; Iran has expressed an interest in purchasing 100. Negotiations have been ongoing for some time.
- A new F-8 fighter, which is currently being developed;
- A jet trainer and attack support aircraft, the K-8, which is being developed in cooperation between China and Pakistan.

2. Tanks and armored cars:

- The new T-70 main battle tank: This is believed to be a modified copy of the Soviet T-72 tank.
- The combat armored infantry vehicle, YW-501, a copy of the Soviet BMB-1;
- YW-534 armored personnel carrier; (Iran has expressed interest in obtaining all these weapons).

3. Guns and launchers:

- T-73 (152 mm) self-propelled field gun;
- T-85 (122 mm) self-propelled field gun;
- T-70 (130 mm) launcher;
- T-83 (273 mm) launcher (Iran among other countries is a candidate to obtain these weapons).

4. Missiles:

- M-9 surface-to-surface missile, which has a range of 600 km; Syria, Libya, and Iran have all expressed the desire to obtain this missile.
- M-11 surface-to-surface missile, which has a range of 105 km; It is believed that Iran has contracted to purchase it.
- C-801 surface-to-surface anti-ship missile, which is assumed will replace the Silkworm missile; It is seen as a candidate for export over a wide area.
- C-601 air-to-surface anti-ship missile, with a range of 100 km;
- HJ-8 anti-tank missile, which is a copy of the French Milan missile;
- HQ-61 anti-aircraft missile: This is a new generation of missile considered to be equivalent to the French-German Roland missile, the American Hawk missile, and the Soviet SAM-6 missile.
- PL-7 air-to-air missile, for use with the F-7M Airguard and the F-8 fighter aircraft; It is believed that China developed this missile in cooperation with Israel.

NORTH REGION

Li Ximing Speaks at CPC Standing Committee Meeting

SK0704145192 Beijing BEIJING RIBAO in Chinese
13 Mar 92 p 1

[Text] The municipal party committee held a Standing Committee meeting on 11 March to conscientiously study the guidelines of the plenary session of the Political Bureau of the CPC Central Committee held in Beijing and to discuss ways to take economic construction as the central task, accelerate reform and opening up, promote economic construction, and open up a new situation in the modernization of the capital. Before this meeting, the municipal party committee also held an enlarged Standing Committee session from 6 to 8 March to conscientiously study Comrade Deng Xiaoping's series of important theories on building socialism with Chinese characteristics.

Participants at the meeting held: The instructions of having a firm grasp of the party's basic line without waver for 100 years and seizing the opportunity to accelerate reform and opening up and to promote the economy as given at the session of the Political Bureau of the CPC Central Committee is totally correct. Liberating and developing the productive forces is the basic task for building socialism by the people under the leadership of the Communist Party. We should have more courage in reform and opening up, in blazing new trails, and in conducting experiments. We should further emancipate our minds and persistently seek truth from facts. We should bravely draw on and learn from the achievements in all the civilizations created by human societies and the advanced business and managerial methods of all the countries in the world, including Western developed countries. Leading persons at all levels should guard against formalism and bureaucracy and devote major efforts to performing more practical work. They should remain vigilant against the right but, more importantly, they should guard against the "left." They should attend to two fields of work simultaneously—stepping up efforts to build the socialist spiritual civilization and improve the legal system and consolidating and developing the stable and united political situation. They should conscientiously study Comrade Deng Xiaoping's series of important theories on building socialism with Chinese characteristics, further raise their awareness in comprehensively implementing the party's basic line, and usher in the convocation of the 14th party congress with the outstanding achievements in reform and construction.

It was noted at the meeting: We should seize the current favorable opportunity to facilitate economic development and make our work successful. The capital should be geared to the needs of the country and the world. It has great advantages in science, technology, and education. More than a decade of reform and opening up has helped it lay a substantial material and ideological foundation and enabled it to have the conditions and possibility to carry out economic construction more rapidly. We should comprehensively and correctly implement the party's basic line of taking economic construction as the central task, adhering to the four cardinal principles, and persisting in reform and opening up and have more courage to conduct reform and opening up. We should have enthusiasm and morale to perform the work in various fields successfully in line with the highest possible standards.

It was decided at the meeting that regarding the major issues affecting the reform and development of the capital, the municipal party committee and government should immediately organize forces to conduct in-depth investigations and study of them, formulate plans as soon as possible, and submit them to the Standing Committee of the municipal party committee for discussion and decision so that they can be implemented well.

Li Ximing, secretary of the municipal party committee, spoke at the meeting. He emphasized: In studying Comrade Deng Xiaoping's series of important theories on building socialism with Chinese characteristics and studying the guidelines of the instructions of the plenary session of the Political Bureau of the party Central Committee, we should keep the actual conditions firmly in mind, exert earnest efforts, carry out solid work, and strive for practical results. Leading comrades of the municipal party committee and government and various departments, committees, and offices should go down to districts, counties, bureaus, and large enterprises and companies to study and resolve the issues they encounter in accelerating reform and opening up. Industrial, agricultural, commercial, foreign economic relations and trade, urban construction, scientific and technological, and educational departments should proceed from their specific conditions, further emancipate their mind, persistently seek truth from facts, map out explicit goals, and put forward realistic and feasible methods and measures to perform their work in a down-to-earth manner. We should unite more closely round the party Central Committee with Comrade Jiang Zemin as the core, go all out to make progress, work hard, and open up a new situation in the socialist modernization of the capital with the new achievements in reform and opening up.

Regrouping of KMT's Nonmainstream Faction

92C MU228.4 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 239, 29 Feb 92 pp 28-29

[Article by Tong Qingfeng (4547 3237 1496): "The Kuomintang's Out-of-Power Faction Quietly Regroups"]

[Text] The year before last a power struggle between the mainstream and nonmainstream factions of the Kuomintang (KMT) almost caused a split in the party. However, the nonmainstream faction, which wound up on the short end of the stick at that time, has not given up the struggle. After nearly two years of regrouping and recovery, and now that the power structure of the KMT is about to be reorganized, the nonmainstream faction is staging a comeback. They are meeting frequently, and are preparing to launch a counterstrike at the right moment.

The nonmainstream faction, which in the past was headed by Li Huan [2621 3562], Hao Po-tsun [6787 2672 2623], Jiang Wei-kuo [3502 4885 0948], Lin Yang-kang [2631 3152 3263] and others, already had the look of being back in business after Hao Po-tsun became president of the Executive Yuan. Worth noting is that Ch'iu Ch'uang-huan [6726 0482 3562], a presidential adviser who in those days was celebrated for winning the favor of Li Teng-hui [2621 4098 6540], changed "stream" and transformed himself into a major player in the nonmainstream faction because he was frustrated and unsuccessful within the mainstream faction.

Not long ago, the story went around that Li Teng-hui was not opposed to the idea of establishing the position of vice-chairman of the party Central Committee. On the face of it, this was a way of propitiating the nonmainstream faction, but Li Teng-hui played his familiar trick of raising "conditions." His condition was that candidates for the vice-chairmanship should be "in the prime of life." Under these circumstances, the "older generation" that the nonmainstream faction has supported to its utmost, like Hao Po-tsun, Ch'iu Ch'uang-huan and Lin Yang-kang, would be pushed off the list of candidates.

Meanwhile, Ch'iu Ch'uang-huan, once highly regarded by Li Teng-hui, departed from his policy of working hard and saying nothing by publicly opposing Li Teng-hui's conditions at a news conference. He indicated that, so far as good employment practice goes, it should be a matter of "the right man for the job," and whether he comes from the "older, middle or younger generation" needn't be considered; otherwise the choice is not objective. Ch'iu Ch'uang-huan's statement is reasonable, but because he is an interested party, by right he ought to avoid the subject. No matter how much he stresses that he is talking about issues and not about personalities, it will be hard for people not to feel that he has a "sour grapes" attitude.

Ch'iu Ch'uang-huan, whose background is that of a party functionary, has always been supporting the party Central Committee as his duty; there are no commands of the party that he will not thoroughly carry out. Why does this creature of obedience, for whom a command is sufficient reason for action, now dare to say "no" to the party Central Committee?

After the curtain fell on the political strife of the year before last, Li Teng-hui's intention was to meet the demands of the nonmainstream faction by dismissing and replacing Sung Ch'u-yu [1345 2806 3842] from his post as secretary-general of the KMT Central Committee to advance unity and harmony within the party. Originally, Li Teng-hui promised Ch'iu Ch'uang-huan that, after he left his post as party chairman of Taiwan Province, a suitable position would be found for him as either president of the Executive Yuan, chief-of-staff to the president, or secretary-general of the KMT. But when the appointments were announced successively for president of the Executive Yuan and for chief-of-staff to the president, Ch'iu Ch'uang-huan watched in dismay as these two positions he coveted passed him by. In the end his only hope was the position of secretary-general of the KMT, but at last this also fell through.

Ch'iu Ch'uang-huan believed that Li Teng-hui had gone back on his word and broken his promise, but Li Teng-hui denied it. As for retaining Sung Ch'u-yu in his post, as Li Teng-hui understands it, Sung Ch'u-yu has done a great deal to promote party work, and since Sung himself indicated that he had no desire to leave, Li was happy to oblige him. Moreover, Sung Ch'u-yu has been second to none in the party for his support of Li Teng-hui, especially on several occasions when he stood up at a crucial moment to rebut Li's opponents; his ability to turn a situation utterly around brought great credit to him. When a man shows this kind of "loyalty unto death," then the only thing to fear is not to give him a sufficiently important post. How could Li abandon Sung without a thought when he was besieged on all sides? "Wouldn't this be too unfeeling and unscrupulous?" Even more important, if such a loyal servant as this, who serves his master with such singleness of mind, still meets a bad end, then who will be willing to go all out for Li Teng-hui? So Li Teng-hui will, of course, stand with Sung Ch'u-yu no matter what.

Later, Li Teng-hui had the idea of arranging for Ch'iu Ch'uang-huan to take the post of president of the Examination Yuan, but Ch'iu politely declined. Shortly thereafter, he was hired as a presidential adviser. Moreover, Li Teng-hui wanted him to come to work at the presidential palace every day to show how much he relied on Ch'iu's services. After a while, Ch'iu Ch'uang-huan felt that he could not get anything done cooped up all day in a small office at the presidential palace. Moreover, after Li Teng-hui went back on his word, a subtle antipathy developed between the two; they became more and more estranged and it became very difficult for them to work together. Therefore, Ch'iu decided to strike out on his own.

The nonmainstream faction meets frequently, but it is understood that they do not have the relatively strong cohesion they had during the political conflict. Beside partitioning Li Teng-hui's power and distributing the party's assets, they have not been able, up until now, to raise the banner of the nonmainstream faction anew because Hao Po-tsun, Ch'iu Ch'uang-huan, Guan Chung (7070 0022), Li Huan, etc., each has his own reservations. None of them is more energetic than Liang Su-jung (2733 5726 2051), former president of the Legislative Yuan. In his role as liaison he is trying to make the nonmainstream faction recover its political vitality.

Liang Su-jung indicated to this publication that he has discussed the party vice-chairmanship and other problems with several important people in the party, but he refused to reveal who attended the meetings or participated in the working dinners. He stressed that they were concerned solely with party business, and were not opposing any particular person.

But these actions are actually hampered by two factors in the background, so that the nonmainstream faction has a certain degree of concern about whether or not it can unite before the 14th plenary session. First, each of the major figures in the faction has his own concerns and short-term goals, and cannot divert his attention from them. For instance, Guan Chung is putting all his energy into grass-roots political work right now in preparation for the Legislative Yuan elections at the end of this year. He is not prepared to go all out against Li Teng-hui at the 14th plenary session over the vice-chairmanship issue. After all, if he splits with the party Central Committee before the Legislative Yuan election, it will greatly affect his vote-getting ability at the grass-roots level. Again, for example, although Ch'iu Ch'uang-huan is unhappy with Li Teng-hui, he still knows that he must advance step by step, entrenching himself as he goes. He cannot make a decisive break with Li Teng-hui until his grass-roots position is solid, even if he needs to join hands with Hao Po-tsun.

Another worry is that, in promoting the vice-chairmanship, Liang Su-jung and the others are still clinging to the idea of distributing power according to provincial origin. As Liang Su-jung says, "That's how the game is played." Therefore they want the vice-chairman to be either Hao Po-tsun or Li Huan, but Ch'iu Ch'uang-huan and other Taiwanese in the nonmainstream faction don't agree with that. This difference in opinion will affect their cohesion.

Liang Su-jung often brings the members of the nonmainstream faction together. Naturally, this gives him a lot more time on stage. But whether or not the nonmainstream faction can once again unite to emerge as a major influence depends on what Hao Po-tsun wants to do. So far, Hao Po-tsun's position is still not clear. Liang Su-jung also denies that Hao Po-tsun has become involved in this matter. But it is rumored in the higher political strata that the antipathy between Hao Po-tsun and Li Teng-hui is becoming deeper and deeper because

of the two personnel cases of Jiang Chung-ling (5592 0112 5376) and Liu He-ch'ien (0491 0735 6197). The focus of attention up to the convening of the 14th plenary session of the KMT may be whether or not this will ignite the smoldering embers of the nonmainstream faction.

Editorial on Issue of Sovereignty

9CM02004 Taipei TZULI CHOUPAO
[INDEPENDENCE POST WEEKLY] in Chinese
7 Feb 92 p 19

[Editorial "Taiwan Absolutely Is Not Part of Chinese Communist Territory: A Discussion of the Issue From the Communiqué Establishing Relations Between the Chinese Communists and Israel"]

[Text] In the communiqué establishing diplomatic relations signed by the Chinese Communists and Israel 24 January, Israel recognized the Chinese Communists as the only legal government representing China and that Taiwan is an inseparable part of the territory of the PRC. A spokesperson for our Ministry of Foreign Affairs immediately responded that we have paid close attention throughout the process of Israeli-Chinese Communist recognition and we will not recognize anything therein that involves our sovereignty and other rights.

The content and wording of this communiqué once again starkly reveal the Chinese Communists' stand on "one China," and on sovereignty over Taiwan. Their repeated peddling of this stand internationally will further constrain Taiwan's diplomacy, and diminish her international standing. Faced with this state of affairs, which is most disadvantageous to our diplomacy, government authorities should issue strong denunciations and counterattacks, and not respond perfunctorily and timidly, as in the statement "do not recognize." They must also define our position and status clearly and concretely.

In fact, the issue of whether the Chinese Communists are in actuality the only legal government representing China is purely a matter of subjective conviction, and the right to hold such conviction (or to recognize a government) is accorded by international law to members of the international community. Such conviction does not entail evaluative judgment of true or false or right or wrong, but rather is rooted in consideration of the national interests and foreign policy of the country extending recognition. Thus the party that is disadvantaged under the principle of "governmental recognition" usually has no room or basis for challenging such recognition according to international law. However, it must be noted that recognizing "the PRC government as the only legal government representing China" and "Taiwan as an inseparable part of the territory of the PRC" are two wholly different concepts and cannot be confused. While the former is an issue of "governmental recognition," the latter exceeds that concept and must be established on the basis of clear fact.

"Taiwan is an inseparable part of the territory of the PRC" is an absurdity that ignores reality. The whole world knows that the Chinese Communists have never exercised effective sovereignty or jurisdiction over Taiwan. That is the way things were 40 years ago, and the way they will be 40 years hence. While Taiwan was ceded by the Ch'ing Court to the Japanese in the Treaty of Shimonoseki after the Sino-Japanese War of 1894-1895, the Japanese by no means returned sovereignty over Taiwan to the Chinese Communists after World War II. We must solemnly point out that PRC sovereignty does not extend to Taiwan, and that the establishment of the Chinese Communist regime on the "mainland" by no means gives their stand on sovereignty over "Taiwan" any legal basis. Furthermore, the 20 million people of Taiwan do not accept Chinese Communist rule or wish to be citizens of the PRC. Whether from the standpoint of law or of political reality, the people of Taiwan naturally have the right to determine the status and form of rule for Taiwan. The Communist regime that was established on the Chinese mainland in 1949 has no business whatsoever interfering in the future of the territory and people of Taiwan.

To prevent the absurd stand of the Chinese Communists regarding "Taiwan sovereignty" from spreading internationally, cognoscenti should stand up and communicate our solemn, steadfast stand to the international community. Such effort should entail aggressive and accurate statement of the actual status and positions of the two sides of the Taiwan Strait and our own stand with respect to our sovereignty, not passive, reactive, low-key replay of the old "do not recognize" tune. To date, government authorities have yet to produce any effective

response to the Chinese Communists' strong-arm diplomacy and appeal for sovereignty over Taiwan, and their own stand on sovereignty and principle of "one China" are even more perplexing. While the authorities of the ruling party have repeatedly stressed "one China" and, indeed, still claim their sovereignty extends to the mainland (even Mongolia), the wording and content of their recent communiques establishing relations with other countries make it impossible to determine what they mean by "recognition," as used therein, and what their "one China" policy actually entails. Those documents simply state that we and the other parties establish "complete diplomatic relations" from the day of signing and by no means stipulate that the other side recognizes that our ruling party is "the only legal government representing all of China." In other words, these documents do not define "recognition" in any way, still less do they indicate whether the government of "the ROC" represents all of China, part of China, or Taiwan, Penghu, Kinmen, and Matsu. Since these documents painstakingly avoid this implication of "recognition" and the concept of sovereignty, why, then, do the authorities of the ruling party keep stressing to the domestic audience that their sovereignty still extends to all of China?

The program of national unification proposed by the authorities of the ruling party calls for the two sides of the strait to recognize each other as real political entities. Yet "recognition" is an international act between one country and another. Since the authorities claim "one China," how can the issue of mutual recognition arise within a single country? How is the contradiction inherent therein to be explained? If the authorities of the ruling party persist in being unrealistic and fail to adopt unequivocal stands on the status and position of our nation and on our sovereignty, sooner or later they will vanish from the coldly realistic world stage.

Beijing Intensifies United Front Against Democrats

92CAM01994 Hong Kong CHENG MING
[CONTENDING] in Chinese No 172, 1 Feb 92
pp 176-177

[Article by Qi Ren (2630 0086): "The Objective of Lu Ping's Visit to Hong Kong"]

[Text] At the "10th Chinese Golden Song Award Ceremony" aired by Radio Television Hong Kong, Master of Ceremonies Chang Chien-ting asked first-prize recipient Cheng Wen-ya about children, now that he is married. Cheng's response was very amusing. He said that, for the moment, there were none but that if he had any, he would rename the first Kang Tung-meng [United Democrats of Hong Kong], the second Ch'i-hen [Cooperative Resources Center], the third [Allen Lee] Peng Fei [2621 7720 7378], and the fourth [Martin Lee] Chu Ming [2621 2691 6900].

Chang immediately responded: "Chu Ming may never make it to adulthood."

Cheng asked why, to which Chang solemnly replied: "He is not even asked to dinner!"

The audience immediately burst into laughter. For this farcical cross-talk subtly described recent events in Hong Kong politics.

At the beginning of the year, Lu Ping [7627 1627], director of the Chinese Communists' State Council Hong Kong and Macao Affairs Office, honored Hong Kong with a gracious visit, which was arranged as part of the regular, mutual exchanges prescribed in the memorandum of understanding regarding the new airport. The Hong Kong government treated the visit both ceremoniously and extremely cautiously, making special arrangements to provide Lu with a large Heji van for his exclusive use. (The last time Ji Pengfei [1213 7720 7378] visited Hong Kong, the car he had was too small and low, so he frequently bumped his head). Martin Lee was snubbed from the welcoming banquet hosted by the Hong Kong governor to avoid angering the guest. Chang Chien-ting's repartee "He is not even asked to dinner" referred to this. And "Chu Ming may never make it to adulthood" was a pun.

Superficially, the regular, mutual exchanges were intended to strengthen communication between China and Hong Kong, and discuss and solve problems. In reality, the memorandum stipulated that the Hong Kong government must regularly "brief" the Hong Kong and Macao Affairs Office on administration and progress in Hong Kong—meaning the establishment of the rights and status of the office to be informed of issues in Hong Kong during the transitional period.

Somewhat unexpectedly, Imperial Envoy Lu Ping's visit was unusually low-key this time. He neither "put one at a loss" with imperiousness nor employed fluent English to elicit widespread applause. His meeting with the

governor was merely "symbolic," especially because Wilson's retirement had become fait accompli, so no substantive talks were possible between the two sides. In fact, the focus of the visit was to meet many private groups, a "cricket gathering" expedition by the Chinese Communists to prepare complete takeover of Hong Kong, whose effects may be said to be far-reaching.

According to newspaper accounts, the groups and individuals Lu "graciously" received included the Hong Kong Federation of Trade Unions, the Hong Kong Federation of Educational Workers, the Hong Kong Youth Association, former members of the Basic Law Consultative Committee, the New Hong Kong Alliance, the Liberal Democratic Federation [LDF], the Association to Stabilize Hong Kong, the Hong Kong Federation of Business, the Cooperative Resources Center, the Hong Kong Association for Democracy and People's Livelihood [HKADPL], Meeting Point, NPC member Liao Yao-yao [1394 3852 3852], and the like. However, XINHUA staff in Hong Kong report that Lu met even more people in private, sometimes seeing six to seven groups of friends, and arranged still more meetings in the Bank of China Building after returning from dinner.

Reportedly, the atmosphere at most meetings was very good, especially with those figures who have been dubbed promising youth, and who were extremely flattered and most enthusiastic and responsive, which pleased Lu. Nevertheless, there were incidents that occasionally disrupted this idyll: A legislative councillor who is fond of smoke and drink unwittingly mentioned that he admires the bizarre opinions of a certain newspaper and unexpectedly provoked criticism from both Chen Zuor [7115 0146 3167], assistant director of the Hong Kong and Macao Affairs Office, and Zhang Junsheng [1728 3182 3932], assistant director of the NCNA Hong Kong branch, who rebuked the councillor for "espousing nonsense" and "being irresponsible," making everyone present feel awkward. Later Lu emerged to smooth things out, suggesting that the opinions were probably rhapsodic. Only then did those present dare continue to dine.

Participants continued to whisper after the event, and even worthless tabloids loudly squawked: The attitude of the Chinese Communists is truly unfathomable.

Indeed, the Chinese Communists have always been unfathomable toward those who disagree with them. On this visit, Lu Ping staunchly refused to meet with individual members of the United Democrats of Hong Kong [UDHK] because "some UDHK members want to overthrow the Chinese government, China and they do not speak the same language, so it is impossible to have contact with them."

Reports from the Hong Kong branch of XINHUA reveal that "some UDHK members" includes Martin Lee and four others, who have been blacklisted and "crucified" for the crime of "colluding with foreign powers." When Lee visited the United States a month ago, he was

HONG KONG, MACAO

42

received by Vice President Quayle. Furthermore, U.S. congressmen introduced a resolution "interfering" with Hong Kong, making the Chinese Communists very uneasy, lest Hong Kong be "internationalized," so that Beijing cannot exercise her "sovereignty" as she pleases.

It was depriving the UDHK of a political future and uniting the majority to attack a handful that was the two-pronged objective of Lu Ping's visit to Hong Kong. It is worth noting that Lu avoided discussing details of most of his meetings; it was those who met him who "quoted" his remarks. It can be said that this move was carefully planned so as to make it more convenient for him in the future to reinterpret his various promises. The Chinese Communists, of course, are not fools and naturally understand that the goal of many Anglophiles in "reversing course" is their own selfish gain. But this is one era; the future is another. Loyalty will be decided by one's performance, and so long as figures of the various quarters "act properly," the Chinese Communists naturally will reward them according to their merit. Among these figures, the citation reported by Hu Fa Kuang [5170 3127 0342], chairman of the LDF is worth noting. Lu told him that China is taking great interest in the 1995 Legislative Council [Legco] elections, for these will straddle the 1997 reversion, and hopes that the LDF and other political groups holding "the same goals" will improve cooperation and play a greater role.

Lu has made the situation very clear: Pro-communist groups should cooperate so as to win the 1995 elections and board the imperially sanctioned "through train" to the 1997 transition. It is reported that Hu is highly favored and viewed by Lu as a "talented candidate to rule Hong Kong." However, the LDF was trounced in last year's direct Legco elections, Maria Tam Wai Chu [6223 1920 3796] has dejectedly withdrawn into seclusion, and it has even been rumored that the group will disband. Lu's recent encouragement doubtless is meant as a stimulant: In the next three years, whoever wants to scramble aboard the through train to 1997 must look toward Beijing and move when the opportunity arises. Whether black or white, any cat that does in "some people" in the UDHK is a good cat indeed. We foresee that the fedoras and clubs of Hong Kong's political world will have ample room to display their abilities.

Lu Ping's refusal to meet the UDHK revealed his hand and in fact amounted to a verdict by the Chinese Communists that such groups are "subversive." This move will have a delicate impact on direct Legco elections in 1995. The question of whether or not the will of the people will be manipulated by the future rulers is a new issue that warrants careful attention. One newspaper recently published a public opinion poll that showed that nearly one-half of the people do not believe that the "one country, two systems" formula will succeed, while a majority does not believe that Martin Lee, Szeto Wah [0674 1778 5478], and the like are "subversive."

The Chinese Communists have always been very self-confident and never influenced by public opinion. Yet when the time comes, will "the hegemon firmly take up his bow" to rid himself of the thorn in his side?

The media gave enormous publicity to Lu's meetings with the democratic groups Meeting Point and HKADPL. Some naive people may interpret this as an indication that the Chinese Communists are finally willing to converse with democratic groups as a "pragmatic line of seeking truth through fact." Such people are totally unaware that this is in fact a treacherous ploy to divide and conquer. As everyone knows, ever since a certain delegate to the CPCC became chairman of Meeting Point, that group has adopted a moderate line and that the HKADPL had an angry row with the UDHK over the direct Legco elections. The only member who managed to get into Legco, chairman Frederick Fung Kin Kee [7458 2914 1015], has been at loggerheads with UDHK Legco members, and some people fear he has "gone too far." As stated above, the Chinese Communists' united front tactics involve uniting with the majority to attack a small handful. Lu Ping's "communications" with Meeting Point and the HKADPL have subjected the UDHK to great pressure and may enable people willing to "act properly" to achieve cooperation between certain democratic and pro-communist groups so as to "throw" democrats off the through train. This is precisely the Chinese Communists' smug plan.

Furthermore, there are signs that the Chinese Communists' divisive tactics have extended to within the UDHK. The most obvious example of this are the facts that when some members accompanied district and urban councils on visits to China, everything went smoothly, whereas when other members wanted to visit the Daya Bay nuclear power plant they were refused entry. These two encounters were vastly different because the latter members publicly criticized the Chinese Communists, whereas the former were much more moderate. This, then, will naturally cause those desiring to ride the "through train" to waver. Citadels are much easier to breach from within, let alone the fact that the UDHK is by no means tightly knit. A person who is familiar with the inner workings of the UDHK has complained to me more than once of his bitterness at the fact that the group is a "pan of loose sand." Yet we cannot be overly critical of the leaders of the group. They have been worn out just trying to fend off the Chinese Communists and their fellow travelers.

No matter how carefully low-key Lu Ping kept this visit, he still revealed Beijing's hard-line conservative stand. The day after meeting the HKADPL, he took the initiative in explaining to the media that he and that group were very much at odds when they discussed the issue of releasing members of the democracy movement: "They believed those people are democratic activists; we see them as a small group of thugs."

This pronouncement was aimed at two audiences: First, Hong Kongese, to show them that the Chinese Communists do not regret the 4 June massacre one whit; the other, Beijing, to demonstrate loyalty and to prove that Lu will never "slip up."

Thus it is apparent that so long as the butchers of Beijing remain in power, people fighting for democracy in Hong Kong will never have room to maneuver.

Nevertheless, world trends cannot be thwarted, and democracy in Hong Kong will not easily be stifled. A word of advice to those who would blow with the wind: If you look at the demise of the people who "closely followed the Central Committee" over the past 40 years, you will see that the rice of opportunism proffered by the Chinese Communists is utterly unappetizing and that you may end up paying with your own life at any time.

END OF

FICHE

DATE FILMED

29 APRIL '92

